OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

HEARING

BEFORE THE

SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN McKEESPORT, PA
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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

FRIDAY, JULY 12, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
McKeesport, PA.

The subcommittee met, pursuant to notice, at 9:45 a.m., in Buck Union Hall, Pennsylvania State University, McKeesport, PA, Hon. William D. Ford presiding.

Members present: Representatives William D. Ford and Joseph M. Gaydos.

Staff present: Thomas R. Wolanin, staff director; Kristin Gilbert, clerk; and Mary Gardner, minority legislative associate.

Mr. FORD. I am pleased to call to order this field hearing of the Subcommittee on Postsecondary Education of the U.S. House of Representatives. Our hearing today will focus on recommendations and concerns with respect to the reauthorization of the Higher Education Act of 1965. This is the seventh in what we expect will be a series of 11 field hearings on this subject. Prior to today, the subcommittee has been to Vermont, Illinois, Iowa, Michigan, New York, and Missouri. We have additional field hearings now scheduled for Maine, the State of Washington, and just up the road here a little ways in Gettysburg and in Massachusetts. The subcommittee also has scheduled 20 hearings in Washington during the reauthorization process.

The Higher Education Act is the primary source of Federal support for students in higher education institutions. It must be reauthorized or extended in this Congress. The largest and most important programs contained in the Higher Education Act provide grants, loans, work opportunities, and special services to students with a demonstrated need for Federal help. In this coming school year more than $13 billion will be made available to needy students in grants, loans, and work opportunity. Nearly half of the approximately 12 million students attending 6,000 institutions of postsecondary education in the United States will receive some form of Federal assistance. These student assistance programs are the centerpiece of the Higher Education Act and they play a critical role in achieving the Federal objective of equal educational opportunity.

The Higher Education Act also contains programs to assist college libraries, international education, and cooperative education

as well as the Fund for the Improvement of Postsecondary Education.

I expect that the process of reauthorizing the Higher Education Act will be long and complex. I hope, however, that we will succeed in reaffirming the Federal commitment to equal educational opportunity and excellence in higher education.

I am particularly pleased to be here this morning at the invitation of my good friend and long time colleague on the Education and Labor Committee, Joe Gaydos.

Joe is one of the few veterans who served on the subcommittee when we last reauthorized the Higher Education Act in 1979 and 1980 and he brings to us a wealth of experience and a demonstrated deep commitment to education. He is one of the most valuable members of the subcommittee who has been very active in our deliberations despite his heavy responsibilities as a subcommittee chairman in his own right.

Before yielding for such statement as Joe would like to make, I would make one other observation. We are operating even with 33 hearings scheduled in Washington and around the country on a very tight time constraint because of the complexity of the subject matter. We have structured the hearings in Washington to cover only very specific issues. We are not talking about loans and grants at the same hearing in Washington. We are not even talking about the same aspects of either grant or loan programs at a single hearing. We are being much more specific then that to make sure that no part of the act is overlooked. In that process, of course, there are far more people who would like to appear on panels then we can accommodate.

But I would like to make it clear that all—to all who are here that if you have anything that you wish to add to what the panel has had to say or any comment you wish to make on what the panelists have to say or any thoughts or suggestions that come to you as we continue with this process, please feel free to submit them to us and they will be included in the record contemporaneous with the matter that you wish to comment on. We don't want anyone who has a good idea anyplace to keep it from us and we're not shy about taking suggestions from anyone and everyone who has an idea, some of them we've heard before, some of them we've tried before but we always have an opportunity to learn of a new approach that we haven't yet tried. And with that, I'd like to recognize Joe Gaydos.

Mr. GAYDOS. I want to thank Bill Ford for taking the time to come out here and he has been doing it throughout the Nation over the last I'd say 3 or 4 months. I think he has illustrated through his descriptive terminology of the importance of it and that is why we are here today. I think that having served with many Members the last 17 years or so in Congress, Bill has been there around 22, 23 years and we are probably the remnants of the old guard. But the subject matter is so complex and has changed so drastically that I consider our committee very fortunate that we have men like Bill Ford from Michigan that have thrust upon them the responsibility at this crucial time in the history of loans to students because we are under a great assault nationally. It is a direct frontal assault, everybody wants to take away the student loans we

have or some portion of them and it is a good thing that we have Bill and his staff and his proven dedication throughout the years to discharge that responsibility, to protect what we have, hopefully enlarge upon it and hopefully make a better system.

I have a formal statement here that I will very hurriedly read and this is for the purposes of the record and I would like to put the hearing in proper perspective here in McKeesport so I will, Mr. Chairman, if you'll give me 3 more minutes, read it very hurriedly so that the record will be clear, then we'll proceed.

And before I start I want to say this, I really sincerely appreciate knowing all of the demands on Congressman Ford's schedule in his other capacity as a full chairman of the Post Office Committee and all that it entails, his willingness to come out here and spend time. He has a family life, too, and he's been doing it throughout the whole Nation.

Mr. Chairman, on behalf of the residents of the Pittsburgh area, I welcome you and the staff of the Subcommittee on Postsecondary Education to western Pennsylvania.

Your willingness to conduct hearings around the country as well as the comprehensive ones in Washington shows your appreciation of the views of those people who deal with higher education issues everyday at the grass roots level.

Our witnesses today will present a broad view of higher education from some very different perspectives. We have representatives from large public and private institutions, from small private and public institutions, from 2- and 4-year institutions and from agencies and persons that serve very specific constituencies.

Obviously, a major concern is financial aid for students either attending or planning to attend some form of postsecondary education or training. This is most important for those of us who live here in our depressed area. The decline of our principal industrial base with its high paying jobs poses a variety of problems. It means that we in western Pennsylvania need a work force with the kinds of skills that will enable us to attract the new industries that are arising in this country.

It also means that we have a great many men and women, parents, who are unemployed or underemployed and are no longer in a financial position to help their children with tuition and other higher educational costs. Coupled with this is a rising cost of higher education.

Just this week, the Pittsburgh Post Gazette noted that the University of Pittsburgh will increase its tuition by an average of 9 percent because its request for additional aid from the State legislature was reduced by more than a half.

At the same time, tuition at Duquesne University will be up 7.7 percent, at Carnegie-Mellon by 11.8 percent, at the Community College of Allegheny County 18 percent, its first increase in 4 years.

At the same time, a chart in U.S.A. Today earlier this week, based on Department of Education figures, shows the Commonwealth of Pennsylvania to rank second nationally in the amount of money in default on student loans and in the number of students who are in default. To me this suggests that many Pennsylvanians who borrowed funds for their higher education are now faced with

great difficulty in getting jobs and may well be unable to repay those loans.

For your further understanding, let me share with you some data developed through a survey by the Pennsylvania Higher Education Assistance Agency. The number of Pennsylvania high school seniors who consider themselves college-bound increased from 47.8 percent in 1979 to 52 percent in 1984. About 8 of every 10 are planning to complete at least a Bachelors Degree Program and nearly 20 percent are planning to participate in a 2-year program or are undecided.

It should be noted that Pennsylvania has a higher proportion of students planning 2-year programs at 7 percent as compared to 5 percent for the national average. And Pennsylvanians are much less likely to complete a graduate degree, 34.5 percent then students in other States which is 44.8 percent.

Now we'll get to the data that has special meaning for us here today and those of us who are concerned about student aid. The average family income of Pennsylvania college-bound students is 14 percent lower than the national average and Pennsylvania parents on the average can afford to contribute $2,340 per year toward their children's education, 30 percent less than the national average family contribution which is $3,050. Further, the cost of attending a 4-year college in Pennsylvania are 17 to 19 percent higher than the cost at institutions in other States.

Pennsylvania students, 82.3 percent, are much more likely to ask for financial assistance than students in other States, 76.5 percent, and 41.9 percent plan to ask for help in finding part-time work as compared to the national average of 39.8 percent.

These figures alone indicate how important the reauthorization of the Higher Education Act is to the State of Pennsylvania and in conclusion, Mr. Chairman, I apologize for having to take that time because I like to do things short and concise to the point but I thought as a matter of record I had to get on record, I think those statistics are very well known to the chairman over the years, I just cite them for the record and for our people that are here.

And finally, Mr. Chairman, thank you so much again for being here with us Pennsylvanians in our very dire hour of need for want of a better descriptive term. Thank you.

Mr. FORD. Thank you, Joe. You know I've told you before that one of the reasons that there is a Democratic Congressman in the district that I've been elected to 11 times is a number of western Pennsylvanians who came to our part of the country after the war, attracted by our automobile plants. They brought their very healthy American patriotic habits with them. I would hate, however, Joe, to report to them how many Japanese cars I saw on the way over here this morning. You don't see those in my district because they know that everyone of those means jobs here in Beaver Falls that are not there anymore and jobs in my district that are not there anymore and they don't take kindly to it. I don't single out anybody here. I will mention how sad it is to see the most expensive clean air in the country around Pittsburgh now, expensive because it's purchased at the price of human suffering. Our mills are not working, and people are still sending those jobs to another country because they can save a couple of bucks and the hell with

my neighbor. I am sorry to use that kind of an expression but I am very chauvinistic about that, Joe, I talked to too many families that are being permanently uprooted and disturbed by the loss of our industrial jobs all over this country and as you well know because you cooperate with us, we have fought our heart out trying to get a little help for American steel and we have an administration who thinks that everything is fine out there.

Mr. GAYDOS. Mr. Chairman, do you yield to me?

Mr. FORD. Sure.

Mr. GAYDOS. Thank you for yielding and I want to tell you that I am glad you said it because I have been saying it for so many years around here, nobody listens to me so when an outsider comes in, many times you know his philosophy and observations and remarks are probably heeded much more readily than the oldtimers around and complaining about the same thing over a period of 20 years, nobody responding so I want to thank you and I want the record to show that this wasn't preplanned.

Mr. FORD. The prepared material that has been presented by each of the witnesses who will appear today will be printed in full in the record. So you may proceed to add to your statement, supplement it, highlight or editorialize any way you find most comfortable. Dr. Stafford of Chatham College.

STATEMENT OF DR. REBECCA STAFFORD, PRESIDENT, CHATHAM COLLEGE

Dr. STAFFORD. Thank you, Mr. Chairman, I appreciate being able to be before you today and I am honored to be able to be a witness. I am representing Chatham College, an independent liberal arts college for women. I am Rebecca Stafford, the president of that college. My concerns, however, are not just for Chatham but for higher education in the United States. I have spent my entire career in higher education, I have been on the faculty at Harvard, the University of Nevada, I have been the dean at the University of Nevada, president of the Bemidji State University in northern Minnesota, executive vice president at Colorado State University and presently the president of Chatham College. I am concerned if we do not keep the—are not able to reauthorize the act that we currently have in terms of the serious implication for the plurality of higher education.

Plurality of course is one of the major strengths that we have in our higher education system and no other country in the world is it possible to find such variety in the number and types of institutions of higher education to serve students with different ability and needs. We provide for our students a real choice and that choice is part of our strength in higher education especially here in Pennsylvania as well.

We are concerned that if we cannot get the act in the way that we have had it before that we will reduce that plurality of higher education. Some of the comments that have been made by the new Secretary of Education lead us to believe this.

Specifically, I am concerned about the Secretary's comments that the affluent students should attend, all but the most affluent students should attend the relatively low cost institutions, mostly the

public ones within their particular region or State. I have spent most of my career in regional public institutions, universities, and colleges and I am really very aware of their strengths and their limitations.

The strengths of course lie in providing a variety of academic programs to large numbers of students at low cost. Their weaknesses are in offering challenge to the brighter students and motivation and support for those students who need assistance to achieve their career goals.

Specifically, I am concerned about women who according to a formidible array of empirical evidence are shunted aside and directed into narrowly confining careers in coed colleges and universities. I am one of those women who was able to achieve her career ambitions through the support of a private women's college and the challenge of a large private university. I am concerned that I would have been forced to attend the local university instead. I believe we have got to preserve this educational system which allows our students to select an institution and the type of educational program that will best serve their needs and best serve the Nation regardless of their parents affluence.

Permit me to use Chatham as an example. One of the clear implications of what the administration has been concerned with would be about a loss of $140,000 in aid funds for our particular group of students and a reduction in about 20 percent of the number of students eligible for aid. We cannot make up all of that aid out of our own private funds. The consequences are fairly obvious. The private colleges are going to have to have fewer students that they can assist until filling their ambitions. The choice of schools for middle-income students would be limited to low cost institutions within their region.

Moreover, I am very concerned that the increased number of students who would be forced to limit their choice to community colleges would seriously overcrowd those colleges and might have a significant impact upon the quality of education they are able to provide. I believe to develop the highest quality manpower pool available to the Nation, it's necessary to maintain the plurality of higher education in America.

One of the alternatives that you may permit me to consider would be the fraud and loan default rates which are at an unacceptable level and Representative Gaydos mentioned those in his earlier testimony. The Department of Education could require 100-percent validation for all Federal forms of financial aid. The loans could be more carefully administered by the institutions, indepth exit interviews could be mandated, a strong commitment could be made from the Attorney General's office to pursue fraud and abuse cases. These actions might help to reduce the Federal deficit without substantially reducing student aid funds. It would put a greater burden on the administration of higher education but I believe it is a burden we should take on to preserve the strength of higher education.

Thank you for allowing me the opportunity to appear before you. Please believe that we know the subcommittee cares about the Nation's students and their financial aid, I trust we could all work to-

gether to meet this goal without restricting the students choices of educational institutions. Thank you.

[Prepared statement of Dr. Rebecca Stafford follows:]

PREPARED STATEMENT OF DR. REBECCA STAFFORD, PRESIDENT, CHATHAM COLLEGE

Mr. Chairman, members of the subcommittee; I am pleased and honored to be able to appear before you today. I am representing Chatham College, an independent liberal arts college for women. My concerns are not just for Chatham, but for higher education in the United States. I have spent my entire career in higher education. I have been on the faculty at Harvard and the University of Nevada and have been a Dean at the University of Nevada, President of Bemidji State University and Executive Vice President at Colorado State University, and am presently the President of Chatham College. In my view the proposed reauthorization of the Higher Education Act would have serious implications for higher education in America.

Plurality is one of the major strengths of our higher education system. In no country in the world is it possible to find such variety in the number and types of institutions of higher education to serve students with different abilities and needs. We provide for our students a choice, and this choice is part of the strength in higher education. The implications of the proposed Higher Education Act would be to reduce the plurality of higher education in America and erode the quality of education.

Specifically, one of the clear implications of the proposed act would be to force all but the most affluent students to attend relatively low-cost institutions (mostly public) that are within their region or state. Having spent most of my career in regional public universities, I am aware of both their strengths and limitations. Their strengths lie in providing a variety of academic programs to large numbers of students at low cost. Their weaknesses are in offering challenge to the brighter students and motivation and support for the students who need assistance to achieve their career goals. Specifically, I am concerned about women who are (according to a formidable array of empirical evidence) shunted aside and directed into narrowly confining careers in coed colleges and universities. I am one of those women who was able to achieve her career ambitions through the support of a private women's college and the challenge of a large private university. If the proposed act had been law, I would have been forced to attend the local university instead. I believe we must preserve an educational system in the United States which allows our students choice to select an institution and type of educational program which will best serve their needs and best serve our nation—regardless of their parents' affluence.

Permit me to use Chatham as an example of the impact the proposed reauthorization act would have on a small four-year private institution. According to our calculations, there would be a loss of $140,000 in aid funds and a reduction of approximately 20% in the number of students eligible for aid.

The consequences are obvious, at least to me. The number of students who we and other private colleges could assist in fulfilling their ambitions would be reduced. The choice of schools for middle income students would be limited to the low cost institutions within their region. Moreover, the increased number of students who would be forced to limit their choice to community colleges would seriously overcrowd those colleges and have a significant impact upon the quality of education they are able to provide. To develop the highest quality manpower pool available to the nation in the next century, it is necessary to maintain the plurality of higher education in America. The proposed Higher Education Act would seriously limit this plurality.

Permit me to propose alternatives for consideration. The fraud and loan default rates are at an unacceptable level. The Department of Education could require 100% validation for all federal forms of financial aid, the loans could be more carefully administered by the institutions, in-dept exit interviews could be mandated, and a strong commitment could be made from the Attorney General's Office to pursue fraud and abuse cases. These actions might help to reduce the federal deficit without substantially reducing student aid funds. These actions would place a greater burden on the administration of higher education, but would allow us to preserve the strength of higher education.

Again, thank you for allowing me the opportunity to appear before you today. Please believe that we know the Subcommittee cares about our nation's students and their financial needs. I trust we can all work together to meet that goal without restricting student's choices of educational institutions.

Mr. FORD. Thank you. Mr. Andrew Korim, dean of institutional affairs, Community College of Allegheny County.

STATEMENT OF ANDREW S. KORIM, VICE PRESIDENT FOR INSTITUTIONAL ADVANCEMENT, COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Mr. KORIM. Mr. Chairman, Representative Gaydos, I am the vice president of institutional advancement at the Community College of Allegheny County. We have in any one year approximately 90,000 students and in terms of student financial aid last year roughly $4 million went to students through Pell grants and another $4 million went to students through guaranteed student financial aid.

We believe that it is quite appropriate for this hearing to be held in McKeesport as Mr. Gaydos had indicated. There is no community in the Nation that better exemplifies a community in the midst of recovery from structural changes in the economy than McKeesport. The unfortunate fact is that there are too many communities along the rivers here in western Pennsylvania that are just like McKeesport. The loss of America's advantage in steel making is a painful loss to the people who reside in McKeesport and the other steel mill towns that exist around Pittsburgh and whose lives have been drastically altered as a result.

The condition reminds us that the United States must begin to look at the losses of the people of the Monongahela Valley and the losses of people in other similar communities in the Nation as losses in the very human resource that has been the force underlying America's greatness. The sad fact is that we have not viewed our people as a great national resource when it comes to national policy dealing with national resources. The sad fact is that we have no national human resource development policy. We have many fragments of legislation that deal with aspects of human resource development such as the Job Training Partnership Act, the Emergency Math and Science Act, the Vocational Education Act, the Adult Education Act and of course the Higher Education Act, but these acts are administered independently of each other and do not address stated priorities of an established and published national resource development policy.

In the absence of such a national policy, we request that this committee look at the reauthorization of the Higher Education Act as if we had a national human resource development policy and scrutinize the existing law and proposed new titles and programs in terms of their contribution to the top human resource priorities of the Nation given our serious budgetary imbalances.

Human resource development targets that we suggest as national priorities are as follows: First a better focused student financial aid program preserving open access but limited to grant and loan support for student goals related to labor market shortages present and in the future consistent with national economic growth and national security requirements.

Second, retotaling of our adult training capabilities in terms of the delivery of educational services needed to ensure that we are internationally competitive in this advanced technology era.

Third, improvement of adult technological literacy to reduce the deficiencies in mathematics, communications, science and technical skills of adults necessary for employment in high technology and finally, enhancing education-business-industry partnerships including of course partnerships that involve labor through corporate tax incentives.

Unless we bring into focus the Higher Education Act and other legislation in terms of a national investment in human resource development, our Nation will continue to lose ground in the world economy and the dislocated workers who once made up the most productive work force in the world will outnumber the productive workers. Should that occur, our national defense system will crumble and our very sovereignty as a nation will be threatened.

We have submitted to you a prepared statement that goes into these matters in greater detail. We thank you for this opportunity to be before this very important committee.

[Prepared statement of Andrew Korim follows:]

PREPARED STATEMENT OF ANDREW S. KORIM, VICE PRESIDENT, INSTITUTIONAL ADVANCEMENT, COMMUNITY COLLEGE OF ALLEGHENY COUNTY

Mr. Chairman and Members of the Subcommittee on Postsecondary Education, I am Andrew S. Korim, Vice President for Institutional Advancement at the Community College of Allegheny County. We are pleased to have the opportunity to provide comments regarding the reauthorization of the Higher Education Act and related matters.

The Community College of Allegheny County consists of four campuses—Allegheny Campus, Boyce Campus, North Campus, and South Campus—and more than 200 off-campus sites throughout Allegheny County. The College employs more than 1,000 full and part-time faculty members teaching credit courses. The College is an open-admissions institution offering more than 250 individual educational programs which lead to either a one year certificate or a two year associate degree. The College expects to enroll approximately 90,000 students in the academic year 1985-86. We are the largest community college in Pennsylvania and one of the largest community colleges in the Nation. We are the third largest institution of higher education in Pennsylvania. In the academic year 1984-85, 5,106 students received Pell grants totaling $4,442,058 and 2,593 students received guaranteed student loans totaling $4,110,119.

Our testimony today will focus on the need for the Nation to look at the reauthorization of the Higher Education Act as an opportunity to refocus the use of scarce Federal fiscal resources in the direction of a national human resource development policy. Presently, we find several Federal laws dealing with education and training, but this legislation has been enacted as we have collectively chased symptoms of economic conditions and the rainbows of an imagined good life. If we could begin to enact legislation in the context of a national human resource development policy, we might very well see education and training as a means to the resolution of serious economic conditions and as an avenue to a better life for greater numbers of our people.

Obviously, we will not be able to produce for you that national policy in our testimony—that is the joint job of Congress and the Administration. We will, however, keep our eyes on the national human resource development policy issue, and we will look at some education and training needs that we believe deserve to be priorities under that national policy, which in our opinion are relevant to this discussion of higher education.

STUDENT FINANCIAL AID

One of the single largest expenditures for human resource development made by the Federal government is made in the form of student financial aid primarily through basic educational opportunity grants and guaranteed student loans. Yet Federal student financial aid programs come under attack, we believe, because of the absence of a clear relationship between the award of grants and loans under the student aid programs and national human resource requirements be they present

economic growth requirements, existing military technical personnel requirements, or futuristic science and technology personnel requirements.

The relationship between federal student financial aid and the investment in human resource development in fields of study of national priority, we believe, must be clear. In our opinion, the best way to preserve the student financial aid programs during this era of fiscal imbalance is to specify in the authorizing legislation that such grants and loans be made in support of economically disadvantaged students whose stated goals are to pursue education and training in designated fields of study where shortages exist or are projected for the forseeable future.

Under the present student aid program, if programs leading to a bachelors degree in yoga or break dancing were to be found in our colleges and universities, an eligible student would be able to get a grant to pursue such a degree. We are fully aware of the argument of freedom of choice and the enrichment that yoga and break dancing specialists might give us. However, given our present national fiscal situation and the limited funds available for student financial aid, would a grant to pursue a degree in a field of study such as yoga or break dancing be the best use of Federal funds?

We believe it is reasonable to expect the Federal investment to produce a flow of personnel with the skills and knowledge needed to ensure a strong and highly productive economy and to give us the quality and quantity of people needed to ensure that our Nation has a strong competitive posture in the world economy. If the fiscal situation is as bad as it appears to be, then it would seem to be better for the Nation to cut off Federal aid for the study of yoga and break dancing than to deprive a student a grant or a loan for the study of mathematics, robotics, computer technology, medicine, chemistry, or other fields in which labor market demand exceeds supply.

In moving to another aspect of Federal student financial aid, currently the award of grants and loans is not tied to a person's prior level of educational attainment or prior academic performance. In other words, a person need not have a high school diploma or a GED to be eligible for a basic educational opportunity grant or a guaranteed student loan.

If we truly believe in access to higher education regardless of prior educational achievement as a basic principle underlying the Federal student aid program, we request that this Subcommittee guard against efforts to impose minimum educational attainment levels such as the requirement that an eligible applicant must have completed high school or must have received a GED to receive financial support. We understand that some groups have a strategy to cut back the student financial aid demand by imposing such eligility requirements.

If such minimums were applied, many adults in Pennsylvania and other states who have been knocked off their jobs by plant closings and technological change would be deprived of the opportunity to receive a grant or loan to pursue the education and training essential for them to rejoin the ranks of the gainfully employed. We cannot close the door to economic opportunity for these people.

We strongly urge this Subcommittee to insert language in the new legislation to ensure that those who carry out the administration of the student financial aid programs are unable to establish these and other access-restricting requirements.

RETOOLING FOR AN ADVANCED TECHNOLOGY ECONOMY

Our scientists and engineers, and the scientists and engineers of foreign countries, have moved us into a high technology age. Applications of high technology are working in manufacturing firms, commercial enterprises, hospitals, transportation systems, military weapons systems, and even in our homes. And it is safe to say that we have only seen the beginning of this phenomenon.

Because of the rapid rate at which the American economy is absorbing advanced technology, the demand for technicians to produce, install, operate, and service the applications of advanced technology has exceeded the ability of education and training institutions to generate technicians with state-of-the-art competencies. The Community College of Allegheny County, not unlike other community colleges in Pennsylvania and in other states, is committed to playing a key role in closing this gap. To accomplish this, our College and other such colleges must develop new programs, update existing occupational curricula, replace out-dated instructional equipment, and upgrade faculty.

Because of the intensity of international competition in all aspects of advanced technology and the fact that the very security of the Nation is at stake, we believe that it is of paramount necessity that the Federal government assist us in this re-

tooling process. We urge that this Subcommittee join together with the House Committee on Science and Technology in ensuring that this matter be addressed.

In this regard, Representative Doug Walgren has introduced H.R. 2353, the National Advanced Technician Training Act, which would provide such an initial Federal commitment. Under H.R. 2353, the National Science Foundation would award grants to eligible institutions to upgrade their capabilities to close the technician gap. We request the members of this Subcommittee to support H.R. 2353.

ADULT TECHNOLOGICAL LITERACY

Highly publicized is the discrepancy between the perception of workers about their capabilities to perform a job and the skills actually required to do many of today's jobs. Many dislocated workers want the same high paying jobs they left, but the job maket requires a technological sophistication not needed five and ten years ago or in the old jobs of yesterday.

The worksite, be it a factory floor, an office, a bank, a garage, or a hospital has been changing significantly over the past decade. Virtually all occupations, ranging from auto mechanic, to secretary, to machine tool operator, to drafting technician, to nurse, require the worker to be technologically literate. For the auto mechanic it means working with sophisticated engine diagnostic equipment, for the drafting technician it means working with computer aided drafting, for the secretary it means using a word processor, for the machine tool operator it means working with numerical control equipment, and for the nurse it means working with electronically controlled life support systems. Advanced technology is presently found at virtually all worksites and is incoporated in a wide range of occupations.

On the other hand, our workforce includes a large pool of workers with deficiencies in basic computation, communication, science, and the technical background essential to the development of technical competencies needed to continue their employment in these increasingly complex technological worksettings or to regain employment should they become unemployed. According to a recent report from the Pennsylvania Department of Education, 40 percent of Pennsylvania's adults 25 years of age and older lack a high school diploma, and this situation is probably similr in other states. This obviously means that a large proportion of our workforce is unprepared to take on the training that is necessary for them to respond to the opportunities and occupational demands of the next few years let alone a decade from now.

In order to give this problem the attention it deserves, this Subcommittee is requested to consider the establishment of a title in the Higher Education Act covering support for the improvement of the technological literacy of adults. We suggest that action be taken to consolidate the fragments of Federal program funds for adult education, such as the Adult Education Act, Job Training Partnership Act, and the Vocational Education Act, under unified national direction in an agency which has its fingers on the pulse of scientific and technological advances such as the National Science Foundation.

EDUCATION—BUSINESS—INDUSTRY PARTNERSHIPS

One of the most encouraging phenomena of recent years has been the growth of partnership arrangements between the private corporate community and educational institutions. These partnership arrangements take several forms in the case of community colleges like the Community College of Allegheny County. In some cases, it may be collaboration through a cooperative education program enabling a student to gain practical experience in a company work setting. In other cases, it may take the form of sharing the expertise of corporate personnel in a classroom setting as part-time instructors or on loan as full-time instructors. In other cases, it may take the form of customized job training to address the unique personnel needs of a particular firm. In still other cases, it may take the form of lease-free instructional use of costly equipment such as a robot or the transfer of ownership of such equipment to the college. And in other cases, it may be a scholarship program for disadvantage youth or dislocated workers.

In our opinion, the partnership process between community colleges and the private sector could be expanded and accelerated far beyond its present level; however, the Internal Revenue Code must be refined to provide the necessary tax incentives to induce the corporate community to be responsive to partnership arrangements with educational institutions. One such legislative proposal is S. 448 which would allow tax credits for firms that incur extraordinary costs in collaborating with educational institutions such as community colleges. We do not believe S. 448 goes far enough, but it is at least a step in the right direction.

We would hope that the House of Representatives could join with the Senate in producing a comprehensive education-business industry partnership incentive act that would explicitly identify partnership arrangements between community colleges and the corporate community as eligible for tax credits under the Internal Revenue Code.

INSTITUTIONAL DEVELOPMENT

Over the past twenty years, financial support for institutional development under Title III of the Higher Education Act has taken various forms including the basic program, the advanced program, and the strengthening program. It is clear that Title III has helped many institutions, but participation in Title III programs has been virtually continuous over its life for some institutions either through direct support or indirect support through consortia of institutions while other equally needy institutions fail to gain such aid.

We believe some institutions have gained an expertise in remaining weak or in pacing their development in order that they may again and again receive Title III support. This obviously cannot be considered as being in the national interest.

We urge this Subcommittee to include language in the new legislation that limits the participation of an institution either directly or through a consortium to five years.

With the extent of fiscal imbalance facing the Nation, and the press for greater impact from Federal human resource development expenditures, measures must be taken to ensure that there is a performance oriented and equitable distribution of Title III support. Not only should there be a limit on the number of years of support that any one institution may receive, but there should be a cap on the amount of funds it receives during that period.

SUMMARY

In closing, it is clear that the United States has many education and training wants. The list is virtually unlimited.

However, in an era of imbalance between the national wish list and fiscal resources to purchase those items on the wish list, some items must be red lined. As a Nation, we have great difficulty in bringing the wish list into balance with the fiscal resources. We display a kind of paralysis in producing a list of human resource development priorities.

In the absence of a national human resource development policy, it is virtually impossible to rank order the many priorities. Without such a policy, it is difficult for us to distinguish between necessities and luxuries for which spending must be defered. Essentially, in the absence of such a policy, all items carry equal priority.

Time and time again, we have heard that the American people are the greatest resource America has. Should we not, therefore, have an explicit human resource development policy?

In a national human resource development policy we would place funds for open access, especially the basic educational opportunity grants, otherwise known as Pell grants, high on the list of priorities. Further, as cuts in the Federal budget are made, and they must be made to bring the national fiscal situation into balance, we urge that such national human resource development targets as the modernization of the workforce, reduction of technological illiteracy, strengthening high technology instructural programming, and incentives to education-business-industry partnership be placed at the top of the list of priorities.

Unless we adequately invest in human resource development, our Nation will continue to lose ground in the world economy, and dislocated workers, who live along these three great rivers in Pittsburgh and elsewhere in the Nation, and who once made up the greatest industrial workforce in the world, will outnumber the productive workers. Should that occur, our national defense system will crumble and our very sovereignty as a Nation will be threatened.

When you return to Washington, we ask that you begin the work of formulating a national human resource development policy.

We thank you for the opportunity to provide this testimony on this important subject.

Mr. FORD. Thank you. Representative Ronald Cowell, chairman of the higher education subcommittee of the Pennsylvania State Legislature.

STATEMENT OF RONALD COWELL, MEMBER, PENNSYLVANIA HOUSE OF REPRESENTATIVES

Mr. COWELL. Thank you Chairman Ford and Representative Gaydos, I appreciate the opportunity to appear before you as you consider the reauthorization or the future of some very important programs relating to higher education.

My name is Ron Cowell and I serve as a member of the Pennsylvania House of Representatives from the 34th legislative district which is here in Allegheny County. I have served as a member of the legislature for the past 11 years. Throughout that period I've been a member of the house committee on education and I currently serve as chairman of the State house subcommittee on higher education. I have also served for 7 years as a member of the board of directors of the Pennsylvania Higher Education Assistance Agency and about a year ago I had the opportunity to serve as a member of the Governor's commission on the financing of higher education here in Pennsylvania.

Let me first note a bit of appreciation, Mr. Chairman to your staff, particularly Tom Wolanin. A couple of months ago I had the opportunity to take to Washington members of our State subcommittee and Tom and other members of the subcommittee staff and House as well as your peers in the Senate were very generous in their time and very helpful to us as we had a chance to spend a good afternoon together and again I want to express appreciation for that. We find it very helpful.

I have been invited by Representative Goodling to serve as a member of a panel of State officials which will appear before you when your committee meets in Gettysburg on Monday and so my remarks today are going to be somewhat general and I am going to try to emphasize just a few points which I believe are especially relevant to students and institutions at our western Pennsylvania area.

At the outset, I wanted to acknowledge that few of us expect that the Federal Government will choose to assume a significantly larger role in the financing of higher education during the next several years. In addition, those of us who have actually sought Federal support for higher education programs recognize the forceful and effective advocacy role played by members of this committee especially during those times when some members of the higher education committee across this country wondered if there were very many friends in Washington.

In preparing todays remarks, I did consult with some of my colleages and with representatives of many of our colleges and universities. If there was any single theme echoed through all of the comments I heard, it was the cry for stability, consistency and predictability in the Federal Governments role in support of higher education. This plea for reliability is especially important as it relates to student aid, grant and loan programs. College administrators as well as students and their families have found it very difficult to grapple with the prospect of changing programs and eligibility criteria each year. From a legislative point of view and in my role as a board member of our State student aid agency, I have shared this same frustration while we have tried to guess how much and under

what conditions Federal aid may be made available from year to year.

I am especially concerned about the ultimate impact on students. Our traditional students and their families view postsecondary education as a 2- or 4-year commitment of resources. When they sit down to consider whether or not to attend school or to make decisions about the kind of institution or program they can afford, they look for and require some predictability, some certainty by the kind and amount of student aid which they might be eligible for in the first as well as in subsequent years of their educational program.

In the absence of some predictability about the availability of adequate student aid, far too many students and their parents decide they cannot afford the cost of higher education. This is a concern I have heard voiced repeatedly by college presidents, student aid officers and high school counselors, a decision to not pursue postsecondary education and the costs which would be incurred is all the more likely to occur in a region such as western Pennsylvania for many young men and women come from families without the experience of postsecondary education.

In addition, the high levels of unemployment which Representative Gaydos spoke to and the uncertainty of future job prospects confronting many families in our region create more disincentive for those same families considering the relatively high cost of a college education no matter how positively they may view the ultimate benefits.

I want to emphasize that the perception of uncertainty has been as damaging as the reality of changing eligibility criteria. If students and parents think that they might not be able to get aid continued in subsequent years or think that programs have become so restricted that there is no use in applying, the impact on their enrollment decisions can be just as harmful. All of us appreciate the fact that the members of this committee and your colleagues have been successful in defeating some proposals to further reduce opportunities for federally funded student grants or subsidized loans but please understand that the annual debate and controversy around Federal budget proposals to cut student aid is in itself discouraging and damaging to the education asperations of many.

I want to add that the annual uncertainty also makes it more difficult for State officials to establish priorities and perimeters for the supplemental student aid programs which we fund using State resources. Each year the staff and board members of our PHEAA agency try to guess what decisions will be made in Washington as we work to frame our own student aid program and the budget for our agency. I believe that Ken Reeher the executive director of the PHEAA will be one of the panelists in Harrisburg and will be able to speak with more specificity to some of those concerns on Monday.

During the course of these hearings, I know that you will hear much testimony urging you to raise the maximum Pell grant award and to increase those amounts which may be borrowed. I certainly support such requests the larger amounts of grant and loan assistance for students especially in light of the significant higher costs facing students, the tuition fees and living expenses.

However, I do want to voice one cautionary note about the larger amounts of loans which hundreds of thousands of students need if they are to have any chance for a college education. Even though there is no question about the need for more access to guaranteed student loans, we must also recognize the difficult, long-term problem to which we contribute. In the absence of more or larger student aid grants, these loans seem the most practical and equitable way to enable many young people to pursue their education. But if $15,000 or $20,000 debt at the age of 21 is a considerable debt indeed, and the size of debt facing many graduate or professional students can be considerably larger. The implications of such large debts are many. They include greater likelihood of defaults, less disposable income for many young families, and in some cases again the decision not to even attempt to pursue one's education.

In addition, the accumulation of huge debt will force many to forego graduate studies in areas which may be critical to our communities and to this country as a whole. We will also persuade more and more students to pursue high paying careers rather then to choose less financially rewarding work such as teaching. In my opinion, all of this argues in favor of more balance between our Federal grant and loan programs.

In addition, I believe that some special attention should be given to additional grants for graduate students especially in critical need areas. I might also note that President Stafford spoke to the issue of fraud and abuse in the loan program, we in Pennsylvania, those who are active with our PHEAA agency are especially proud of the low default rate that, in fact, we have in Pennsylvania and we in the Pennsylvania Legislature believe that we have armed that agency with some important tools to go after those who might otherwise default or those in fact who try to default. We have been rather successful in our collection rate ultimately because of the tools with which we have armed the PHEAA agency and again I've urged Ken Reeher the director of the agency to speak to that issue during his testimony on Monday.

There is one other area where there is a critical need for Federal intervention to help our public and private institutions of higher education. This is the area of instructional and research equipment needs of our colleges and universities. Just 2 weeks ago, the Pennsylvania Legislature approved a new $16.5 million appropriation for instructional equipment grants to Pennsylvania's colleges and universities. This came on the heels of last year's decision to provide $27 million for equipment for our community colleges and votech schools and $3 million to our schools of engineering, all part of an economic development package initiated by the legislature.

Despite this very substantial infusion of State funds for the equipment needs of our schools, much more remains to be done and I understand that we in Pennsylvania may be ahead of many States in addressing this critical problem which is important from an education as well as an economic standpoint. The national Government has a real interest in the educational and research capabilities of our higher education institutions. The future viability of a region such as western Pennsylvania experiencing the decline of our traditional industries is dependent upon our ability to train students on modern equipment and develop new procedures and

products using modern equipment; however, it has been clearly demonstrated that the schools alone cannot solve this very crucial problem. Some State governments like Pennsylvania are trying to help but I suggest that the most effective response can be a collaborative effort involving Federal and State governments as well as the private sector. I urge you to consider a major and continuing role for the Federal government in helping to solve what is perhaps the greatest crisis confronting our colleges and universities.

Finally, I want to comment about one other issue currently before the Congress which is especially important to our community college system in Pennsylvania. The Community College of Allegheny County and the 13 other community colleges across the State are dependent upon local sponsors for approximately one-third of their revenues, the local sponsors which can be municipalities, school districts or counties generate their contributions for the colleges from local taxes, while not specifically a part of this reauthorization process, the proposal before the Congress to eliminate the deductibility of State and local taxes for Federal income tax liability purposes poses a serious threat for future support for these locally sponsored institutions of higher education. I urge you to consider these consequences as you and your colleagues debate this particular aspect of the Federal tax reform legislation.

Since I will have an opportunity to be with you on Monday, I will reserve comments about a number of other points being considered in the reauthorization process until that time. In the meantime, I thank you for the opportunity to be with you, I thank you for coming to our area, and I appreciate your consideration of these remarks.

Mr. FORD. Thank you very much.

[Prepared statement of Ronald Cowell follows:]

PREPARED STATEMENT OF RONALD R. COWELL, MEMBER, PENNSYLVANIA HOUSE OF REPRESENTATIVES

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify before you as you consider the future authorization of important Federal programs relating to higher education.

My name is Ronald R. Cowell and I serve as a member of the Pennsylvania House of Representatives from the 34th legislative district which is here in Allegheny County. I have served as a member of the State legislature for the past 11 years. Throughout that period, I hae been a member of the House Committee on Education and I currently serve as chairman of the State house subcommittee on higher education. I have also served for the past 7 years as a member of the board of directors of the Pennsylvania Higher Education Assistance Agency and recently served as a member of the Governor's Commission on the Financing of Higher Education.

Since I have been invited to serve as a member of a panel of State officials which will appear before you when your committee meets in Gettysburg next Monday, my remarks today will be somewhat general and will emphasize a few points which I believe are especially relevant to students and institutions in our western Pennsylvania region.

At the outset, I want to acknowledge that few of us expect that the Federal Government will choose to assume a significantly larger role in the financing of higher education during the next several years. In addition, those of us who have actively sought Federal support for higher education programs recognize the forceful and effective advocacy role played by members of this committee, especially during those times when some members of the higher education community across this country wondered if there were any friends in Washington.

In preparing today's remarks, I did consult with some of my colleagues and with representatives of many of our colleges and universities. If there was any single theme echoed through all of the comments I heard, it was the need for stability,

consistency and predictability in the Federal Government s role in support of higher education.

This plea for reliability is especially important as it relates to student aid grant and loan programs. College administrators as well as students and their families have found it very difficult to grapple with the prospect of changing programs and eligibility criteria each year. From a legislative point of view and in my role as a board member of the State's student aid agency, I have shared this same frustration while trying to guess how much and under what conditions Federal aid may be available from year to year.

I am especially concerned about the ultimate impact on students. Our traditional students and their families view postsecondary education as a 2- or 4-year commitment of resources. When they sit down to consider whether or not to attend school, or to make decisions about the kind of institution or program they can afford, they look for and require some predictability—some certainty—about the kind and amount of student aid which might be available in the first and subsequent years of the educational program.

In the absence of some predictability about the availability of adequate student aid, far too many students and their parents decide they cannot afford the costs of higher education. This is a concern I have heard voiced repeatedly by college presidents, student aid officers and high school counselors.

A decision to not pursue postsecondary education and the costs which would be incurred is all the more likely to occur in a region such as western Pennsylvania where many young men and women come from families without the experience of postsecondary education. In addition, the high levels of unemployment and the uncertainty of future job prospects confronting many families in our region create more disincentive for those same families considering the relatively high cost of a college education, no matter how positively they may view the ultimate benefits.

I want to emphasize that the perception of uncertainty has been as damaging as the reality of changing eligibility criteria. If students and parents think they may not be able to get aid continued the next year, or think that programs have become so restrictive that there is no use in applying the impact on their enrollment decisions can be just as harmful.

All of us appreciate the fact that the members of this committee and your colleagues have been successful in defeating some proposals to further reduce opportunities for federally funded student grants or subsidized loans. But please understand that the annual debate and controversy around Federal budget proposals to "cut" student aid is in itself discouraging and damaging to the education aspirations of many.

I want to add that the annual uncertainty also makes it more difficult for State officials to establish priorities and parameters for the supplemental student aid programs which we fund using State resources. Each year, the staff and board members of our PHEAA agency try to guess what decisions will be made in Washington as we work to frame our own student aid program and the budget for our agency.

During the course of these hearings, I know that you will hear much testimony urging you to raise the maximum Pell grant award and to increase those amounts which may be borrowed. I certainly support such requests for larger amounts of grant and loan assistance for students, especially in light of the significantly higher costs facing students for tution, fees and living expenses.

However, I do want to voice one cautionary note about the larger amounts of loans which hundreds of thousands of students need if they are to have any chance for a college education. Even though there is no question about the need for more access to guaranteed student loans, we must also recognize the difficult long term problem to which we contribute.

In the absence of more or larger student aid grants, these loans seem the most practical and equitable way to enable many young people to pursue their education. But a $15,000 or $20,000 debt at the age of 21 is a considerable debt indeed. And the size of debt facing many graduate or professional students can be considerably larger.

The implications of such large debts are many. They include greater likelihood of defaults, less disposable income for many young families, and in some cases the decision to not even attempt to pursue one's education.

In addition, the accumulation of huge debt will force many to forgo graduate studies in areas which may be critical to our communities and the country as a whole. It will also persuade more and more students to pursue high-paying careers rather than to choose less financially rewarding work such as teaching. In my opinion, all of this argues in favor of more balance between our Federal grant and loan pro-

grams. In addition, I believe that some special attention should be given to additional grants for graduate students, especially in critical need areas.

There is one other area where there is a critical need for Federal intervention to help our public and private institutions of higher education. This is the area of instructional and research equipment needs of our colleges and universities.

Just 2 weeks ago, the Pennsylvania Legislature approved a new $16.5 million appropriation for instructional equipment grants to Pennsylvania's colleges and universities. This came on the heels of last year's decision to provide $27 million for equipment to our community colleges and vo-tech schools and $3 million to our schools of engineering, all part of an economic development package initiated by the legistature. Despite this very substantial infusion of State funds for the equipment needs of our schools, much more remains to be done. And I understand that we, in Pennsylvania, may be ahead of many States in addressing this critical problem which is important from an education as well as an economic standpoint.

The National government has a real interest in the educational and research capabilities of our higher education institutions. The future viability of a region such as western Pennsylvania experiencing the decline of our traditional industries is dependent upon our ability to train students on modern equipment and develop new procedures and products using modern equipment. However, it has been clearly demonstrated that the schools alone cannot solve this very crucial problem. Some State governments like Pennsylvania are trying to help.

But I suggest that the most effective response can be a collaborative effort involving Federal and State Governments as well as the private sector. I urge you to consider a major and continuing role for the Federal Government in helping to solve what is perhaps the greatest crisis confronting our colleges and universities.

Finally, I want to comment about one other issue currently before the Congress which is especially important to our community college system in Pennsylvania. The Community College of Allegheny County and the 13 other community colleges across this State are dependent upon local sponsors for approximately one-third of their revenues. The local sponsors, which can be municipalities, school districts or counties, generate their contributions for the colleges from local taxes.

While not specifically a part of this reauthorization process, the proposal before the Congress to eliminate the deductibility of State and local taxes for Federal income tax liability purposes poses a serious threat for future support for these locally sponsored institutions of higher education. I urge you to consider these consequences as you debate this particular aspect of the Federal tax reform legislaiton.

Since I will have the opportunity to join some other State officials in testimony before your committee on Monday, I will reserve any additional comments until that time.

Thank you for your consideration.

Mr. FORD. Joe, would you like to start the questioning?

Mr. GAYDOS. Yes, thank you. Ron, having known you over the years and being closely associated with you at times on various issues I was very impressed with your remark regarding PHEAA and the procedure you have in effect whereby you've effectively put into being, actual being, an almost no default type of program for Pennsylvania. Now, are we talking about maybe an adaptation of that as far as Federal funds are concerned? One of the biggest criticisms we have nationally is that people aren't paying back their loans and, as I emphasized in my opening remarks, we in Pennsylvania has fallen to the dubious second position as far as defaults.

What do you do in Pennsylvania or the State legislature that is different than what we've been doing in the Federal Government and do you think there should be a coalition of some sort or a transfer obligation to pick up the loans? We tried many things over the years as to how to collect these loans. We went to the State legislatures, gave them a percentage back if they collected. Now could you comment on that one very important aspect of this whole problem?

Mr. COWELL. Representative Gaydos, let me observe that the default rate at the outset appears to be around 12 percent in Pennsylvania and we hear about figures that are comparable to that or much higher in some other areas of the country but what we have done in Pennsylvania is to arrange a system in compliance with Federal law that our PHEAA agency will acquire those defaults of loans from the lending institutions, our banks, our credit unions, our saving and loans companies and then with the tools that the legislature has provided, pursue those defaultors or would be defaultors. In fact, we're able to drive the actual default rate well below that 12 percent then so that it is annually, consistently less then 5 percent as evidenced by the fact that PHEAA or Pennsylvania is able to acquire from the Federal Government that full allowance which is provided only if your real default is less then 5 percent.

We have provided ammunition for the PHEAA agency to pursue the defaultors through the courts, we have provided ammunition or the tool for the PHEAA agency to actually go after the defaultor and tap their wages, tap income tax returns for instance, State income tax returns. There are a number of examples that maybe applicable either at the Federal level or may be applicable in other States and again, these are the kinds of things that you may well want to consider impowering the Federal Government with or perhaps requiring State governments to utilize if they're going to be full participants in the Guaranteed Student Loan Program.

Mr. GAYDOS. Could I ask as far as Chatham is concerned whether your enrollment is up or down, Dr. Stafford?

Dr. STAFFORD. Well, last year it was up from what it had been. It had been down for 2 or 3 years in advance of that. We are a small private womens college in Pennsylvania and that probably puts all of the demographic factors against us. We couldn't possibly be swimming upstream demographically more than if we were swimming up Niagara Falls. However, I believe that some of the interesting articles that have come out in the Wall Street Journal and New York Times lately on the effects of womens college preparation on womens achievements in the studies of alumni that have been done of womens colleges, we believe that that had some effect at least on our enrollment, it went up drastically last year. We're looking for a probably stable enrollment in terms of our traditional aid students and another enormously steep climb in the population that we serve in western Pennsylvania of nontraditional women who are going back in the labor force either having raised their families or being forced into the labor force either by the break up of their family or the necessity to earn a living. One of the target populations that we are extremely at Chatham concerned with and have some money from United States Steel like the other colleges to try to pursue is that group of women whose husbands have been laid off or retired early because of the demise and the difficulties in our steel industry and in our other industries in western Pennsylvania. We want to be able to give them an education that will permit them to go out and be the family earners if not permanently, certainly temporarily and hold those families together.

Mr. GAYDOS. I might have missed in your prepared remarks what percentage of the attendees do qualify or are participating in student aid up at Chatham?

Dr. STAFFORD. We have about 84 percent of our students receive aid of some sort.

Mr. GAYDOS. Some sort.

Dr. STAFFORD. And it is usually a combination of Federal aid and Chathams individual grants. The one group that we have a great deal of trouble with of being able to help to finance their education are these nontraditional older women who cannot attend full time who fall between all of the cracks in our system. We are having an awful time and trying very hard all kinds of private funds and loans that we try to set up and grants that we try to get from corporations to help them in their education because they fall between all these cracks.

Mr. GAYDOS. Dr. Korim, what about the community college program, I remember when we had 15,000 students when we started, 12,000 because I remember when the program was first initiated. Now I notice in your statement, we're talking about 90,000 students one of the biggest community colleges in the entire 50 States, is that true, one of the largest?

Mr. KORIM. Representative Gaydos, we are probably among the top 12 or 15 in terms of enrollment and as far as that enrollment goes, that 90,000 equates to approximately 21,000 full time equivalents. About 60 percent of our enrollment is made up of part time students, that is students who are beyond the typical recent college graduate aid. We have served over the last couple of years approximately 8,000 dislocated workers with the help of the tuition program that the board of county commissioners of Allegheny County provided to us. They provided us with several millions of dollars actually in addition to their regular support to allow us to train those dislocated workers and to help them recover.

Mr. GAYDOS. All right. Allow me if I may then, am I stating it accurately when I say that any slight deviation in the program as we have grown to know it, I'm talking about student aid, would be for all practical purposes devastating as far as the Allegheny County Community College?

Mr. KORIM. It definitely would. It definitely would. As I mentioned to you approximately $4 million of grant money under the Pell Program and $4 million in student financial aid in the form of guaranteed loans is coming to the students of the community college of Allegheny County. If that were cut, that would certainly mean that a large number of these students would be totally eliminated from participating, even though we are a low cost institution relatively speaking.

I should also say that a large number of the part-time students because of the nature of the student financial aid program are not eligible for student financial aid. We would hope that somehow we could improve that particular situation; 60 percent of our students as I have indicated are part-time students. They are working or able only to attend on a part-time basis because of family reasons.

Mr. GAYDOS. And finally, Mr. Chairman, I am going to make an observation and ask a question. The observation is we are having some problems down in Washington as you are well aware of in-

volving the Federal income tax reforms, whether they materialize this year or next year and Mr. Cowell and his statement as I think so properly pointed to the very dangerous implications of removing the income tax deduction on your Federal return and all of those ramifications, so probably the question I am going to ask is are you prepared to go to bat to ask for support to request that those that share your position write to Rosti down in Washington, DC and give us a helping hand because I want to be perfectly frank and report to you on a firsthand, arms length basis from Washington, we're having some problems with that so we are going to need your help. So if that is an important factor, if it does have implications of grave results as far as the taxable deduction and all of its implications involving the amount and how we depend upon them, then I think we need your help.

So if you hear from me personally and I am sure that Mr. Ford shares my opinion, we should respond and I am talking about letting your position be known and on a formal written basis to Mr. Rostenkowski the chairman of the Ways and Means Committee who is considering that very aspect of the tax problem.

Ron, do you have any comments on that?

Mr. COWELL. If I may very quickly I think you are right on target. I am very disappointed that our own Governor of Pennsylvania, Governor Thornburgh has apparently embraced that particular provision of the Reagan proposal. I think he has done that without adequately thinking through the implications for higher education at the higher education as well as the basic education level because that is certainly not a view shared by many, many legislators in this State and really across this country. I am active with the National Conference of State Legislatures which has expressed informally I guess the concern and probably as a result of the national conference in August will formally express concern about the implications for education generally if the tax deduction for property taxes in particular is eliminated. And I want to emphasize although I commented specifically in a context of community colleges today, that certainly is a major concern shared by school directors and school administrators all over this State. They are very concerned about their ability to adequately generate revenues at the local level to provide the kind of support for basic education and our community college system that is required if we are going to have quality education.

Mr. GAYDOS. All right, thank you, Mr. Chairman.

Mr. FORD. Thank you. I want to recount something to get your reaction to the bottom line here. There was a meeting the day before yesterday at the White House between members of the Budget Committee and the President to talk about the impass that we had reached between the House and the Senate. Boiled down it came down to this that the Senate wants to raise the defense budget by the amount of inflation for next year, the House does not. The House wants to raise the Social Security pensions by the automatic escalator that occurs from the cost of living next year and the Senate does not and this article describes the negotiations with the President over this. It says at the beginning Mr. Reagan said, "other ways would have to be found to recover the money that would have been saved by the freeze on Social Security cost-of-

living adjustments, about $5.8 billion in 1986 and $22 billion through 1988." Mr. Reagan also insisted on the Senate figure of $302.5 billion for the military budget which includes an increase over the 1985 budget to make up for inflation.

One participant, Representative Thomas J. Downey said the President became angry when a debate erupted over whether a tax increase would be needed to reduce the deficit now running about $200 billion a year. Mr. Downey said that the President had remarked "Damnit, I can't listen to all this." According to Mr. Downey and Mr. Speakes, Mr. Reagan went on to argue that his 1981 tax cutting package had been the greatest factor in stimulating the economy and that tax increases provided the Government with money that then went to unnecessary programs.

They said that the President cited an experience years ago in which he had flown across the country and observed the landscape dotted with cattle ponds on hobby farms built with public money. Explaining how he knew about cattle ponds, Mr. Reagan said that he once had two on his California ranch and that Federal officials had told him the Government would fix one destroyed when a dam had broken. Mr. Reagan said he had declined the offer.

In recounting the incident, Mr. Downey said Mr. Reagan said he could consider a tax increase "if we get down to where we can say this is the minimum only the essentials." But, he added that a tax increase now would only lead to more cattle ponds.

According to Mr. Downey, the President cited education as one area of nonessential spending. He quoted Mr. Reagan as saying of the poor, "Should we let them go to Princeton or Yale or Harvard, that's what community colleges are for. The Government has no responsibility to fund luxury education." That unfortunately is a repeat of the position stated by the Secretary of Education before our committee earlier this year albeit when he was new at the job and before he got into a lot of trouble in the press but he indicated that while we might have an obligation to help somebody go to some school, we had no obligation to help them go to any school they wanted to go to. And how do you react to that from the perspective of three different approaches to education.

Dr. STAFFORD. Well, I represent the private sector so I guess that my reaction would be typical and I suspect you could probably figure it out in advance. One of the difficulties that I eluded to in my prepared statement with the notion that everybody should go to the community college is that the community college serves a large population very, very well. I know our community college, people in Allegheny County and I am very proud to be associated with them, I am also very proud that Chatham has a very rigorous program of recruiting their graduates and finishing them at Chatham.

The difficulty is the same one that we have with the public schools. The public schools can serve and must serve every single student who applies or who goes to public school by law, therefore, it is necessary that the teaching be done at the level of the mean student, you can't teach to the highest, the brightest students, you can't teach to the poorest student. When we get to higher education and we're talking now about preparing the people that are going to run our country in the future, even in the public schools

they have programs that are financed for the brighter children; in higher education one of the things that private schools do very well is to stimulate with an especially rigorous, an especially individualized curriculum the very brightest students so that they can go on to graduate school or go into the various aspects of the employment market and be the leaders of our country.

I would be horrified if the only people that could ever become scientists in this country at the level produced by CalTech or MIT would have to have the test be that their parents made enough money to spend approximately $60,000 to $70,000 on their education, that for example, Mr. Chairman would have left me out totally. I would never have been able to go to college.

Mr. FORD. Mr. Korim, how do you feel about having community colleges labeled as particularly appropriate institution for poor people?

Mr. KORIM. Well, we are very well aware of the fact that the Federal Government and by that we mean the administration whether it is in the Department of Education or if it is actually in the White House does have community colleges down at the bottom of its list as far as priority goes. At the same time we probably are providing for the future of the bulk of the American work force that is going to be needed to operate and service that huge Defense Establishment that we are building. If we are going to have the technicians that are needed to man the high technology star wars systems, we are going to have to produce them somewhere and we believe they are going to be produced in our community colleges. But on the other hand, we need these same kinds of people for our industries, whether it is the steel mills in these valley's. If they are to stay in business, they are going to have to be modernized, they are going to have to be equipped with modern advanced technology, robots, and computerized systems and that is going to take people.

It is true that the Reagan administration has viewed community colleges as a kind of a bottom of the list priority but I think this obviously is going to have to be changed. We are working hard to change this. We've got the help of virtually ou total delegation in Washington in terms of Representative Gaydos, Representative Walgren, Representative Coyne, and Representative Murphy. As far as all of these Representatives go, we are in touch with them, we are trying to change this but the unfortunate thing is that they are not Republicans, and they are obviously bucking the party line of the Reagan administration.

It is unfortunate that community colleges have been dubbed as the place where students can go if they can't hack it somewhere else but this is in fact the bulk of our people and as I indicated we don't have a human resource development policy that places value on the common man. We in community colleges are trying to address that but we do need the help of the Federal funds, be they student financial aid or be they program funds in the National Science Foundation so that we can improve our science laboratories in our community colleges and upgrade the workers in terms of that basic literacy. I think you are to be commended for singling out that point of view because we are very well aware of that unfortunate statement, Representative Ford.

Mr. FORD. Ron, how does the State look at the growth of the community college program, is that something you just patched on to take care of the poor people?

Mr. COWELL. Absolutely not. The community college system was created before I entered the legislature, it just celebrated its 20th anniversary I guess about 1 year ago but it was a system that was consciously put together with the hope of providing an educational opportunity to many underserved areas of the State first of all, geographically underserved areas where there was not likely that a brand new institution was going to get started from the private sector or even a public sector from a State point of view. But second, it was created as a way of providing educational opportunity to lots of students who may be somewhat tentative about making the commitment to a University of Pittsburgh or a Chatham College or perhaps a more expensive institution.

I would say that from the standpoint of a lot of legislators in Pennsylvania anyway, we get a darn good bang for the dollars we spend for our community colleges. In fact, I was pleased to just take the lead in sponsoring legislation as it found its way into this years State budget, the 1985–86 budget that provides extra assistance to the community colleges for vocation, occupation related programs. We certainly do not view those schools as just for poor students, we certainly don't view them as lesser quality. In fact if you look at the numbers, an awful lot of those students are moving right up through the ranks of other institutions. They get started at a community college but the education is excellent, they are committed to pursuing their education, they move on to our 4-year institutions and many of them move on to our graduate programs.

Sir, if I could just add a little bit more response to the general question that you framed. First as a State official and other elected official, I learned a long time ago not to tell other elected officials how to solve some complex budget problems but we in Pennsylvania are required annually to have a balanced budget and so we've wrestled with some of those same challenges and a need to prioritize as you wrestle with at the Federal level. And sometimes I've not been particularly happy with the way we've prioritized education but on the whole, I think we in Pennsylvania and folks in many other areas of this country have come to learn especially in the last several years that if we are going to talk about a strong military system in this country, if we are going to talk about being economically competitive with other nations around this world then we have to at the same time talk about a strong system of education because without a strong system of education, we're not going to have people that even know how to operate the sophisticated military hardware and we're not going to have people we're going to be able to communicate in foreign languages to deal economically with our colleagues in other parts of this world.

Sometimes I am appalled at the relative ignorance about education anyway on the part of some of the education policymakers in Washington, particularly in the executive branch, unfortunately, they fail to appreciate as many other people all over this country do appreciate the key role that education plays whether we are talking about being strong militarily or being strong economically in a complex world economy. I think we've tried to respond to that

here in Pennsylvania, particularly over the last 3 years. We've recognized the key link that does exist and the key opportunities that do exist for economic development in this State if we provide more adequate dollars for basic and higher education. We learned that lesson, we're providing additional dollars, we think it is important and we hope that some of those examples may serve as a model at the Federal level.

Mr. FORD. Well, it is a problem that is going to continue to recur; I would observe that the Secretary who started saying this and maybe he is the one who planted it with the President is himself a product of the richest public institution in the United States and the richest private institution in the United States, the University of Texas where he has a Ph.D. in philosophy and Harvard where he has a law degree. If you look on any chart, you will find that those two schools have more resources then any other public or private institution.

There is a parallel in this, in 1979, this committee was invited to China to talk to the Chinese about their attempts to rebuild after their cultural revolution their higher education system which was virtually dismantled during that 10 year period and we spent several days with them. On that same trip at our request we spent 4 days with the Japanese looking at their system. And you hear a great deal about the wonderful Japanese progress since World War II. They refer to it as a period of modernization and never talk about pre-war and post-war.

Before the period of modernization, women did not attend any kind of higher education institution in that country because it wasn't considered seemly or necessary for women to have that much education. At the end of the several days in Japan looking at different kinds of institutions, talking to different people we spent a long afternoon with their equivalent of our secretary of education and his staff who was going over national statistics with us to show the great progress they had made. When a female member of the staff happened to notice that one very interesting characteristic showed up, that 80 percent of all the females who were going to college in Japan were going to community colleges and they have built a system that they believe looks like our community college system. I asked how that happened to be and there were a lot of reasons for it but the bottom line that stuck with me was their secretary of education is saying that that is where we train the teachers of small children and everyone knows that women are better teachers of small children than men and that you do not need as much education to teach small children as you do to teach the others and so we encourage our women to go to the community colleges and become teachers of small children with 2 years of education.

From that time on I have said repeatedly when speaking to national groups that if anybody with the responsibility for education in this country ever made a statement like that, it would cause an instant revolt. We would regurgitate that kind of a concept in modern America and now we have the people right at the top saying it in a slightly different way that this type of institution really is particularly appropriate for people who haven't in the past had any opportunity but only for them and that that's suffi-

cient, they should be satisfied with that regardless of their qualifications or ambitions.

I would like to comment on what you said, Mr. Korim, about maybe it would be better if some of the Representatives were Republicans. I have to point out to you that this committee has the best Republicans in the House on it and they serve under a double disability. The first is that they tend to be more enlightened and informed on education and more committed to it then the average of their party and perhaps of my party in the House and so they share our frustrations.

The second is that they are as I was during part of the Carter administration dealing with an administration that doesn't see things the way they see things and so they have a much greater frustration in dealing with these things then do we. If you talk to our next to—I guess he is next to the ranking Republican who we will be holding the hearing for on Monday, I am sure he can share with you some of the frustration of being a professional educator in the minority party in the House and in the minority view with his own administration. He does a yeoman's job of fighting for us. We're happy to have him over there on that side of the aisle but we'd welcome him to our side in a minute.

Mr. KORIM. Chairman Ford, I should of probably added that we have two Republican Senators who don't seem to get any further then the Democrats do when they're dealing with the White House so I'm not sure that it would make much difference, I'd tend to agree with you. I also would share with you, we're aware of some of the Republican members of the committee, our Representative Goodling from Pennsylvania was one of the great supporters of the community college in trying to get a greater percentage of the Vocational Education Act funds for community colleges and we recognize that. Probably I should not have referred to the party at all in responding.

But, we are very, very proud of many of our graduates, we can cite for you graduates who are M.D.'s, we can cite for you graduates who have gone on to be college professors in some of the most reputable institutions in the country. In fact, we hire our own graduates after they move up the ladder and we bring them back as people to teach in our classes. One of our administrators just recently was a graduate back in 1970 and we just hired him at a pretty good salary. We have confidence in his quality of performance. So we can cite for you many, many success stories of people who have moved on to greatness.

Unfortunately, many of the community colleges are less then 20 years old since the great numbers of them came into being in the middle sixties. Perhaps when those graduates of our institutions are in their middle forties and fifties, we might have as many people from community colleges in influential places as some of our friends in the four year institutions. We're looking forward to that day. It is going to take a little while for them to move up that ladder to that high level of opinion-setting and decisionmaking but we look forward to that. We compliment the total committee for the work that it has done on behalf of community colleges. We're fully aware of what has happened over the years in terms of the set-aside in the institutional development title III category and

that was a tough fight. We would hope that that set aside could be increased and I know that with the support of the full committee, we might be able to succeed in doing that.

We're also aware of the influence that the overall committee, Education and Labor Committee, has had in the Job Training Partnership Act and some of the priorities that are in that Act which are, in fact, consistent with the populations we serve. So, we know that the committee as a whole has been thinking of us. We just hope that you continue to do that.

Mr. FORD. A few years ago we asked for the best survey data we could get. I was obviously impressed by the fact that the community colleges had even then obtained an average age that exceeded the traditional colleges, traditional 4-year colleges and that it had more females and it had more poor people and that population also contains over 70 percent of all the Hispanics in the United States who attend any kind of postsecondary education and over 50 percent of all blacks who attend any kind of college at all. But one very interesting thing came out of that, that in spite of the tremendous shift we've made in bringing the community colleges into vocational and particularly job related or career training programs, fully one half of the people that we found at that time in community colleges were taking degree credit programs with the objective of going on to complete their education at a higher level after community college.

I have seen nothing to indicate that that has diminished. Indeed with the increasing costs of public institutions in my States, my community colleges are starting to bulge at the seams because instead of going to Michigan or Michigan State which are now among the most expensive public institutions for a student to attend, they're taking their first 2 years close to home at a community college and saving the cost, the higher cost for that 2 years and going on. That's a well-accepted practice. It's not new but it's actually increasing as the pressure of increasing college cost is forcing more families into that kind of a choice. This bothers me that there will be a lot of engineering and law students at the University of Michigan this year who started their first 2 years in one of our fine community colleges and to have those categorized as a place appropriate only for the poor. Implicit in that is that you don't really expect them to achieve as much as the rest of them. It goes completely in reverse of what we've been trying to do at the Federal level since the beginning of the Higher Education Act, to encourage the growth of the community college because we've seen in it probably the greatest resource for access on a broader scale. A few years ago, we created literally the first community college in the State of South Dakota. It was the only State left that didn't have a system. Unfortunately we did that through the back door, we created an Indian community college and that, to the best of my knowledge is still the only community college that State has. They're a little bit behind the rest of us.

Like Pennsylvania, we were asleep in Michigan. The community college movement really started as junior colleges in the northeast in the same environment as the Ivy League Schools for that matter. Many of them literally were prep schools for the other schools. Some of them are very old institutions. The idea of the

public getting into the community college business for those of us in this part of the country in the Midwest came much after World War II and it came in part after we discovered that in World War II with the very minimal requirements we had for service, we found that there was a great difference between States and how many of their people were not eligible to serve us as draftees. This State of Pennsylvania as I recall in the late forties used to make the boast that it had a higher percentage of its population who were veterans of World War II then any other State. At the same time without singling out anybody with an invidious comparison in mind, Mississippi had the lowest. We went back to find out why it was. Part of the impetus that we used to move the elementary and secondary act and to get programs like Headstart going was that we discovered that what they were being knocked off for was illiteracy and that while we continue in this part of the country to have far more illiteracy than is good for any society, we were so far ahead of the other parts of the country that when it was time to get people to fight a war in a hurry, those parts of the country that had prepared their young people the best made the greatest contribution. We actually had to use those kinds of arguments in the 1960's to convince people that there was a national purpose in sending my taxpayers' money from Michigan to Mississippi to help their kids in elementary and secondary schools.

We argued with them that we can't build a fence around the State if another State is not educating their children and they send them to us and they end up on our welfare roles because they haven't got basic skills. We can't pass a law and say if you weren't born in our State, you can't live here and participate. So, it is a national problem. I don't know of any other kind of postsecondary education that's so heavily dependent on local taxpayers, local agencies of Government and local communities to get their start and to keep them alive. Penn State is a land-grant college, it was started under a Federal program that was passed by the predecessor of the chairman on the other side of the aisle, the Republican Chairman, Mr. Stafford from Vermont. Is he related to you by the way?

Dr. STAFFORD. I wish he were. I am impressed with what he's been doing.

Mr. FORD. Senator Morrill of Vermont was the author of the Morrill Act which said that education was too good to keep in one part of the country and we ought to have a State institution of education in every State and that was the first major Federal aid to higher education, about 117 years ago and literally that far back a member of Abraham Lincoln's party which I guess is now called the Republican Party, a member of Abraham Lincoln's party was the great populist coming out of the little State of Vermont who started that movement across the country. From that you can see what's grown across this country in public commitment at the State level through State institutions.

The private institutions have grown as I trust they always will because they've been able to fulfill expressed needs for such a long period of time they have a long tradition.

Mr. COWELL. Mr. Chairman, there are two other points that I would quickly make in terms of this attitude of driving folks to the

public sector or to the community colleges so we're not funding expensive education as somebody at the Federal level suggested.

One, I think we need to recognize what goes on in our private institutions and the tremendous resources they are, particularly in a State like Pennsylvania. If we tried to calculate the amounts of graduate study, professional study that goes on there or the amount of valuable research that goes on there or the other kinds of contributions that those institutions make to our local communities and the region and State as a whole, we couldn't begin to calculate it. That diversity of higher education that we have in the State is a resource that we ought to be trying to nourish rather then to starve and unfortunately that comment that you quoted from somebody else earlier suggest starving those institutions and ultimately depleting that very valuable community and education resource that we have.

Two, their implications for State and local taxpayers as well and I find that particularly amazing, at the same time some of those same people in the executive branch are talking about making it more difficult for State governments and particularly local governments to generate taxes to support education programs by eliminating the deductibility of those taxes for Federal tax liability purposes.

What we would effectively do is we force people into community colleges or force them into our other public institutions is to increase the burden on the taxpayers who are supporting those public institutions and ultimately that becomes kind of productive, it may save a few dollars at the Federal level. What it really does in a total public sense is to drive up the tax burden on the public generally if we try to add up the total tax bill that they're paying to the Federal, State, and local governments. And so I would suggest that attitude is kind of productive in that sense as well. Thank you. I have no further questions.

Mr. FORD. Thank you very much. The next panel will be Mr. Kenneth Brandt, financial aid officer of Edinboro College, Dr. John Brugel, director of financial aid at Penn State, Mr. John Hine, director of admissions and financial aid at Carlow College, and Mr. Walter Cathie, financial aid officer at Carnegie-Mellon Institute. Your prepared text will be inserted in the record. We'll start first with Mr. Brandt.

STATEMENT OF KENNETH P. BRANDT, DIRECTOR OF STUDENT FINANCIAL AID, EDINBORO UNIVERSITY OF PENNSYLVANIA

Mr. BRANDT. Thank you, Representative Ford, for inviting me here and Representative Gaydos for your letter. I very much appreciate the opportunity to address your group.

As I was sitting back listening to the position that you indicated Mr. Reagan put forward regarding his wish not to afford luxury education, I'd like you to know that I represent Edinboro University in Pennsylvania which costs $4,600 all costs inclusive this year to attend.

I've been the financial aid officer there since 1972. I have 13 years experience in financial aid. We currently provide 80 percent of our student body some student financial aid resource through

my office representing approximately $10 million in funding yearly. We're not a country club at a direct cost of $3,600 per year.

I will note to you that there will be a chilling impact on the students attending the 14 State system of higher education universities if Mr. Reagan's budget reductions were to be implemented. An analysis of the 1986 Federal fiscal year budget indicates that over 20,000 students in the State system of higher education which stand to receive a cut of $31 million in Federal loan and grant funds should his reductions go into law. The estimated Reagan proposal effects on the 15 State system universities guarantee loan program for those families with incomes above $32,500 would represent a possible loss of $14 million. Nearly 9,000 students in the State system of higher education in Pennsylvania representing 26 percent of borrowing participants would be eliminated and of course students with families of incomes less then $32,500 are counted at 10,000 with 30 percent of those borrowers who would receive a restricted guaranteed student loan so his proposals cut deep even to those moderately priced universities where middle income families attend.

I have some major suggestions for improvements in the guarantee student loan area that may also result in some program reductions. I'd like to list them briefly. First, I think it's important that we consider applying the uniformed methodology of need analysis to families whose incomes are above $35,000. Those families then with high assets would be uncovered within the needs test and as a result forced to go into the parent loan for undergraduate students area.

Second, I think it would be important to begin to validate the reporting family incomes with current tax returns and statistically significant numbers so that we are able to provide opportunity in the guarantee loan areas to those families who truly qualify. This would be a tremendous burden to financial aid directors but I feel certain it would limit program costs.

Third, I think it would be important to consider accelerating the repayment requirements which would save interest costs to the Federal Government. Our guaranteed 10 year repayment opportunity now provides for everyone to stretch their loans out and the Federal Government to incur a burden up to 15 years on GSL repayment.

I believe it is important to eliminate the loan origination fee. Currently, banks are earning substantial points on these notes and should not gain a large special allowance which students ultimately incur. I think we should limit the program growth in the next 5 years and the maximum borrowing potential to cost-of-living indices. An example that the NASPAA group has put forward to you is that the program should grow to a $3,000 level for maximum guarantee loan funding immediately and then finally, I feel that we should reinstate the consolidation provisions beyond the student loan marketing association onto the States helping students with reasonable monthly repayment to go on to graduate and professional studies and to those undergraduates that have large debts.

In the Pell grants area, the Reagan administration proposals would prohibit Pell grant awards to students with families above $25,000 income. The Financial Aid Community at large feels that

this ceiling is a cost saving measure that's both arbitrary and capricious. Since 1980, the Pell grant increases have not kept pace with inflation in terms of buying power of the dollar and postsecondary cost increases have outpaced program growth. As a consequence, the grant dollars in Pell area have been rationed in excess to high cost schools have been limited.

In the Pell Grant Program area there has not been a concensus reached by the higher education community regarding the funding formula. Most of the public school leaders agree that if we were to raise the half-cost provision to 60 percent and provide for moderate, maximum grant increases to offset inflation, it would be a realistic way to move forward.

Private school leaders on the other hand wish to retain the half-cost provision and move the maximum grant program upward to better offset their expensive costs. I've made a number of recommendations here I'd like to provide for you in the Pell grant area that I think are very important. First, decentralization of the Pell Grant System to eliminate expensive, private contractors would provide more money in grant and aid funds to students. We currently have a capacity through the multiple entry data processors including PHEAA, College Scholarship Service, and America College Testing just to name a few who can provide the calculations on current available systems along with the uniformed methodology need analysis outcomes so that aid officers could go ahead and make Pell calculation in-house. This would cut costs in the program, provide for flexibility to those families who lose income and the paperwork that financial aid officers would be significantly reduced.

Third in the Pell grant area, I feel that the validation of family incomes, family size, and student independent status for all applicants would reduce the cost of the program and channel limited dollars to the truly needy. I feel it is significantly important to increase the maximum level of Pell grant awards in the upcoming proposal to $3,000 minimum to ensure access to a variety of educational options. I think we should retain the 60-percent cost provision and if necessary drop the minimum awards of $250 to provide for inflationary increases. The neediest of students would be the student truly served.

And then finally I feel it is important that we set our allocations in advance of a July 1 summer deadline in order that both a smooth award and delivery system becomes a reality for financial aid officers who are coping at this time of year with aid packaging.

The third area of concern that the Reagan administration has chosen to cut is in the campus-based student financial aid areas. It is important that we retain the Supplemental Educational Opportunity Grants Program, the National Direct Student Loan Program and the College Work Study Program for the following reasons: First, the campus-based aid area serves a very unique purpose in financial aid circles to provide a flexible self help packaging option to the truly needy student. Where Pell grants and State grants are distributed to students based on allocation formulas, campus-based aid measures the need of the student in their family before judgments are made. Important professional judgments in a case by

case basis by financial aid directors daily permits changing fiscal circumstances to be addressed.

Second, the College Work Study Program provides for job opportunities in the summer and on-campus employment where often community job opportunity is very limited. We should not decrease the incentive to work in favor of borrowing at ever larger levels as has happened in recent years.

Third, I would like to make a recommendation of the campus-based area that is regarding the fact that we need to bring some closure to our need analysis. We need to submit one needs test for each family each year to apply to all title IV aid programs to include the Pell grants, the Guaranteed Loan and the title IV campus-based programs. The time has come for us to do one uniformed need analysis, apply it to all programs rather then the scattered needs tests options that are available now.

A fourth area of great importance that I think should be addressed to reduce fraud and abuse in the programs and also something that we feel very strongly about on the institutional level is the independent student status. I feel that the greatest loophole in the Pell grant system and guaranteed loan system and the campus based aid system is the current definition of independent status for parental support as a filing status for Federal aid. To tighten up this measure of the parents' ability to pay for costs, we should look at an age of age 22 and for students who are below age 22, we should require frontal information across the board. I would further recommend full verification of family tax returns to assure compliance with the current law and have student verification of their means of assistance where they document independent status. A documented proof of the students' ability to live on his or her own would curve the abuse by unqualified applicants for Federal funding.

In summary, gentlemen, I feel the college costs have risen 100 percent in the last 10 years and the bulks of these costs have been met with student borrowing at even moderately priced schools such as Edinboro University. At our school, Edinboro students borrow $2,000 a year in the Guaranteed Loan Program on an average and this amount is borrowed by half of all the undergraduates. Debt burden then has become a way of life for our graduates and the middle income family has only debt burden as a recourse for financing a higher education. The Pell grant growth has been so limited as to erode the educational purchasing power of the grant dollars in recent years. Appropriation legislation must insure that equal opportunity is available or all the gains for which we have strived since the higher education amendments of the mid-1960's will be lost.

In conclusion, the National Task Force Commission to study student aid concluded that the aid programs themselves in their basic form are doing the job. These programs should be retained and enhanced if higher education for our populace is to continue to be a valuable national priority. I sincerely feel that we may be the only country that provides the chance for every citizen regardless of background to go on to a higher education, make something of himself and earn a reasonable standard of living. In this way, this student may pay his share of taxes and insure that opportunity for

the next generation to come. In my opinion, gentlemen, this is money well spent.

[Prepared statement of Kenneth Brandt follows:]

PREPARED STATEMENT OF KENNETH P. BRANDT, DIRECTOR OF STUDENT FINANCIAL AID, EDINBORO UNIVERSITY OF PENNSYLVANIA

RE: REAUTHORIZAION OF THE HIGHER EDUCATION ACT

The purpose of this testimony is to call to your attention the devastating impact of the President's budgetary proposals for student aid on Pennsylvania students, and to make specific recommendations for reasonable funding levels and program changes.

The Pennsylvania Higher Education Assistance Agency has recently completed a report that indicates three important characteristics of college-bound seniors in our state. First, the percentage of high school seniors who are college-bound has gradually increased each year rising from 48% in 1979 to 52% in 1984. Over half of the 1984 seniors are women. Secondly, the average family income of these students is 14% lower than the national average. Their parents can afford to contribute $2,340 per year toward their child's education on average which is 30% less than the national average family contribution of $3,050. Further, the costs of attending a four year college in Pennsylvania are 17% to 19% higher than costs at institutions in other states. Thirdly, Pennsylvania students are much more likely to ask for aid (82%) than students in other states.

The proposed federal aid reductions will have a chilling impact on the students attending the fourteen State System of Higher Education universities. An analysis of the 1986 federal fiscal year budget indicates over 20,000 students in the State System of Higher Education stand to receive a cut of $31 million in federal loans and grants. The losses at Edinboro University are reflected in Appendix A.

Guaranteed Student Loans (G.S.L).—The administration's proposal to eliminate federally interest subsidized loans to families whose adjusted gross incomes are above $32,500 is arbitrary and capricious. Many families with double this income ceiling have large numbers of dependents in their households and/or multiple collegians. They are often not grant qualified, and rely heavily on student borrowing power to access a postsecondary education.

The second proposal to limit G.S.L. borrowing to students with family incomes below $32,500 to their "remaining need" will also restrict access of lower middle income families to even moderately priced public schools. These are the families for whom this program was designed to support.

The estimated budget proposal effects on the fourteen Pennsylvania State System Universities' guaranteed loan students with incomes above $32,500 represents a possible loss of $14.4 million or 23% of current funding. Nearly 9,000 students would be eliminated from borrowing representing 26% of participants. Students with family income of less than $32,500 are counted at 10,183 or 30% of borrowers who would receive reduced loans or be eliminated.

Some suggestions for improvements and reduction in program costs without hurting students unduly would include:

A. Apply uniform methodology need analysis to families above $35,000. Those with high assets would be "uncovered" in the system, and forced to take P.L.U.S. loans.

B. Validate reported family incomes with current tax returns in statistically significant numbers.

C. Accelerated repayment requirements will save interest costs to the federal government.

D Eliminate the loan "origination fee". Banks currently earn substantial points on these notes, and should not gain large "special allowance" gains which students ultimately incur.

E. Limit growth of maximum borrowing potential to cost of living indices.

F. Reinstate "consolidation" provisions beyond the Student Loan Marketing Association to the States. This helps students make reasonable monthly repayments after undergraduate and graduate studies.

Pell Grants.—Budget reduction propsals would prohibit Pell Grant awards to students with family incomes above $25,000. This arbitrary ceiling again is a cost-saving measure which ignores needy students from large families that cannot afford postsecondary education. Since 1980, Pell Grant increases have not kept pace with inflation in terms of buying power, and postsecondary cost increases have outpaced

program growth. As a consequence, grant dollars have been rationed and access to expensive schools has been limited.

Consensus has not been reached by the higher education community on the Pell Grants funding formula. Public school leaders wish to raise the "half-cost" provision to 60% with moderate maximum grant increases to offset inflation. Private school leaders whose costs are higher wish to retain the "half-cost" provision and raise the maximum grant significantly so that needy students can access their schools. (See Appendix B) Some suggestions for improvements in this critical program in the interest of America's students are as follows:

A. Decentralization of Pell Grant system to eliminate expensive private contractors would provide more dollars for grants to student. Multiple data entry processors (i.e. PHEAA, C.S.S., ACT) can provide the calculations on current available systems along with uniform methodology need analysis outcomes. Aid officers could make in house adjustments for families with lost income, and paperwork would be significantly reduced.

B. Validation of family incomes, family size and student "independent" status for all applicants would reduce costs and channel limited dollars to the "truly" needy.

C. Increase awards to $3,000 during reauthorization years to insure access to a variety of educational options. Retain the 60% of cost provision and drop minimum awards of $250 if necessary to provide inflationary increases to the neediest of students.

D. Set allocations in advance of July 1st each year in order to assure a smooth award and delivery system each summer.

Campus-Based Aid.—Budget proposals to eliminate federal capital contributions to the Supplemental Educational Opportunity Grants (S.E.O.G.), National Direct Student Loans (N.D.S.L.), and State Student Incentive Grant (S.S.I.G.) programs has been proposed. I suggest the retention of all programs and an increase in the college work-study program for the following reasons:

A. Campus-based aid serves a unique purpose, to provide flexible self-help aid packaging to the truly needy student. Whereas, Pell Grants and State Grants are distributed to students based on allocation formulas, campus aid measures "need" before judgments are made. Important professional judgments on a case by case basis daily by aid officers permits changing family fiscal circumstances to be addressed.

B. College Work-Study provides summer job opportunity and on-campus employment where often community jobs are not available. We should not decrease the incentive to work in favor of borrowing at ever larger levels, as has happened in recent years.

C. S.S.I.G. programs in states that are just beginning to develop state grant programs are critical to maintain and advance equal educational opportunities.

Independent Student Status.—The greatest "loophole" in the Pell Grant system, guaranteed loan system, and federal campus-based aid system, is the current definition of "independent from parental support" filing status. To "tighten up" the measurement to parental ability to pay college costs for students under age 22 years could be the singular most important change needed. I would recommand full verification of family tax returns to assure compliance with current law. Further, student verification of their means of subsistence should ensure. Documented proof of a student's ability to live on his/her own would curb abuse by unqualified applicants for federal aid funding.

In summary, college costs have risen 100% in the past ten years. The bulk of these costs have been met with student borrowing at even moderately priced state supported universities. At Edinboro, over $2,000 per student yearly is borrowed by half of all undergraduate students. Debt burden has become a "way of life" for our graduates. Our middle income students have debt as their only recourse.

Pell Grant growth has been so limited as to erode the educational purchasing power of the grant dollars. Appropriations legislation must ensure that equal educational opportunity is available, or all grains for which we half strived since the mid 1960's will be lost.

The National Task Force commissioned to study student aid concluded that the aid programs themselves in their basic form are doing the job. They should be retained and ehnanced if higher education for our populace is to continue as a valuable national priority. I sincerely feel that we may be the only country that provides the chance for every citizen, regardless of background, to "make something of himself," earn a reasonable standard of living, and pay his share of taxes to ensure that opportunity for the next generation. In my opinion, this is money well spent.

APPENDIX A.—PHEAA ESTIMATES OF EFFECTS OF REAGAN ADMINISTRATION BUDGET PROPOSALS FOR FEDERAL FINANCIAL AID

Institution: Edinboro University of Pennsylvania—PHEAA Code Number: 011026

I. Prohibiting GSLP borrowing for students with incomes above $32,500.

	1984–85	1985–86	Losses	Percent lost
Borrowers	2,860	2,236	624	21.8
Dollars	$5,491,184	$4,459,934	$1,031,250	18.8

II. Restricting GSLP borrowing to remaining need for students with incomes below $32,500.

	Reduced loans	Percent	Eliminated loans	Percent	Total effects	Percent
Borrowers	674	23.6	360	12.6	1,034	36.2
Dollars	$406,276	7.4	$635,943	11.6	$1,042,224	19.0

III. Combining the effects of both the preceding proposals would cause: 1,658 borrowers to lose $2,073,474 in GSLP loans; 58.0 percent of the 1984–85 borrowers lose 37.8 percent of their loans

IV. Prohibiting Pell Grant awards to students with family incomes above $25,000.

	Current 1984–85	Eliminated awards	Percent lost
Pell recipients	1,707	218	12.8
Dollars received	$2,019,461	$170,900	8.5

V. Eliminating federal capital contributions to the SEOG and NDSL programs institution will lose:

	SEOG program 1984–85	NDSL program 1984–85
Recipients	177	343
Dollars	$109,803	$11,669

Note: All SEOG dollars would be lost. Institution would still be able to make NDSL awards from its revolving fund. Amounts are unknown to PHEAA.

VI. Cutting the SSIG federal appropriation to zero with a corresponding loss of Pennsylvania matching funds would cause: 76 State Grant recipients to lose $51,933 in awards.

COMPARISON OF PELL GRANT REAUTHORIZATION PROPOSALS

AASCU/AACJC: $2,600 minus family contribution, not to exceed 70 percent of cost.

NAICU: $2,100 minus family contribution, not to exceed 50 percent of tuition, plus $2,100 minus family contribution × 4.

ACE: $3,000 minus family contribution, not to exceed 60 percent of costs, minus family contribution.

ASSUMPTION IN COMPARISONS

1. Average Costs at:
A. Community college—$4,350 total charges, $551 tuition.
B. AASCU institutions—$5,112 total charges, $1,112 tuition.
C. NASULGC institutions—$5,542 total charges, $1,372 tuition.
D. Independent institutions—$9,729 total charges, $5,283 tuition.

2. Family Contribution—Used current Pell Grant family contribution schedule (Income minus taxes paid minus living offsets minus extraordinary expenses) to determine family contribution.

	AASCU/ AACJC	NAICU	ACE	Current law ($1,900)
1. 0 family contribution ($9,000 income):				
A. community colleges	$2,600	$2,375	$2,610	$1,900
B. AASCU institutions	2,600	2,656	3,000	1,900
C. NASULGC institutions	2,600	2,786	3,000	1,900
D. independent institutions	2,600	4,200	3,000	1,900
2. $500 family contribution ($15,000 income):				
A. community colleges	2,100	375	2,000	1,400
B. AASCU institutions	2,100	656	2,000	1,400
C. NASULGC institutions	2,100	786	2,000	1,400
D. independent institutions	2,100	1,700	2,000	1,400
3. $1,000 family contribution ($20,000 income):				
A. community colleges	1,600	275	1,000	900
B. AASCU institutions	1,600	556	1,000	900
C. NASULGC institutions	1,600	686	1,000	900
D. independent institutions	1,600	1,100	1,000	900
4. $1,500 family contribution ($24,000 income):				
A. community colleges	1,100	275	0	400
B. AASCU institutions	1,100	556	0	400
C. NASULGC institutions	1,100	600	0	400
D. independent institutions	1,100	600	0	400

Mr. FORD. Dr. Brugel.

STATEMENT OF DR. JOHN F. BRUGEL, DIRECTOR OF FINANCIAL AID, PENNSYLVANIA STATE UNIVERSITY

Dr BRUGEL. Mr. Chairman, Representative Gaydos, I am very pleased to have the opportunity to appear before you this morning. I'll merely highlight the testimony that I submitted previously.

My name is John Brugel, I'm the director of the Office of Student Aid of Pennsylvania State University. I would comment that I was very pleased by the chairman's knowledge of the land grant university movement and its contributions to American higher education. I have had the opportunity over the past 13 years to assist the director of the office of student aid. During that time my office has been involved in assisting over 100,000 families with the various forms of Federal student assistance. We've processed over 200,000 guaranteed student loans and over 110,000 basic and Pell grants.

I offer these data as background to my very strong and clear conviction that the current programs are indeed working, they do extend educational opportunity and have advanced reasonable educational choice to the youth and motivated young adults in our society.

I'd like to very quickly review three studies that we've conducted at Penn State over the past several years which I feel have a good deal of bearing on your interest in financing of postsecondary education. If I could direct your attention to the attachments on page 5 of my testimony, the first study I would call your attention was first conducted in 1980–81 and it was designed to assess the direction of support for our students. We calculated an aggregate cost at that time of $283 million, 58 percent of which was coming from our

families. A replication of that study this past year suggested that that family contribution had by now increased to 65 percent which I think is a very clear indication that the impressions conveyed by the administration regarding family involvement and financing of higher education were clearly not reflected by the circumstance of the Pennsylvania State University.

Our families and students indeed are paying the major cost of their attendance. If I could then quickly direct your attention to the second attachment. It is a draft that shows the relationship of the cost of attendance, our student aid delivery, and using the Consumer Price Index as a constant, a very cursory view of that indicates that the student aid delivery has dropped very precipitously since 1980 where the cost of attendance continues on a gradual upward slope. Fairly, this is a very alarming trend and I think is very reflective of particular actions that have been taken at the Federal level to restrict the flow of student assistance.

Directing your attention then to the third attachment, this is an analysis of the loan indebtedness for Penn State students conducted on the graduating class of 1984, we found that for Pennsylvania students the average indebtedness was $7,135 and for our out-of-State students $8,500. We feel this is a very reasonable level of debt and certainly indicates the willingness and a reasonable willingness for students to assume responsibility.

However, I would direct your attention to the fact that the highest cumulative debt for an undergraduate student at that time for an out-of-State student was $1,900 for an undergraduate degree, a 4-year program, clearly a very, very alarming finding for us.

We found that 13 percent of our students for in-State students had borrowed in excess of $10,000 and fully a third of our out-of-State students had borrowed over $10,000 and I think that this type of evidence is supportive of the concern that the committee has, the subcommittee rather on the level, the growing level of indebtedness for our students, not only Penn State but all of our institutions across the nation.

If I can then very quickly summarize some program recommendations. As I stated earlier I think that the programs are functioning and I think that they function very well, they need fine tuning and clearly that's an opportunity that is available to us now. I would urge the committee to resist the argument that one loan, one grant, one work program is the way to go for our student assistance programs. I believe that this simplicity is misleading, I think that the current range of programs, each has been created to meet a particular need and should continue.

The campus-based programs are of particular importance to institutions because of the quick responsiveness, the timeliness of their administration, the opportunity to have those funds available at the campus to assist as emergency or unusual circumstances develop. If we went to a distant loan program, the guaranteed loan and the Pell, currently the time lag in delivering those forms of assistance is very, very great and I think would be a stumbling block in trying to be responsive to those students who are in greatest need of our assistance.

I would first speak to the Pell Program and I would say that I believe that the current awarding formula is the appropriate one,

the mix between a cost of attendance and the percentage of a cost of attendance of maximum award I think is an appropriate direction to move. I think the program should continue to serve students and not be designed as an instrument to serve institutions. I think that efforts to move funds away from students toward institutions would not be the appropriate direction to move. Proposals that speak to tuition sensitivity, I believe tend to be self serving and devisive. I would agree with an earlier comment that was made that the Pell administration should be campus administered. I think that once the original eligibility has been calculated by an MDE vendor that the opportunity to then be accountable for the administration of the program would be responsible and accountable to our students would allow the program to be much more efficient and at a lower cost to the Federal Government.

I would comment briefly on the guaranteed student loan as a program that assists over 40 percent of the Penn State students. I believe that the current eligibility approached for it is also the correct one. I favor the presumption of need for families with an income of less then $30,000, I would suggest that we do need to look at our maximum borrowing levels. I think that we should leave lower division students the first 2 years alone but for those students who are successful with their lower division study, that we could increase the upper division amounts to say perhaps $3,500 per year and therefore have placed greater grant emphasis and delivery in the lower division, greater loan delivery in upper division.

I favor the committee's consideration of efforts for a long range efforts to reduce costs in the guaranteed loan by considering early loan retirement options. I know that several years ago Pennsylvania Education Assistance Agency advanced a plan which suggested that cost discounting, a discounted loan for a student would urge them and encourage them to retire the loan early, there was some up front cost that increased the cost of the program but the long term cost of the guaranteed student loan would therefore go down. I'm sure that that proposal could probably be resurrected almost momentarily by Mr. Reeher if the committee so desired.

The campus-based programs as I suggested earlier are terribly important and I would just passionately argue for their retention, I would request that we seriously consider increasing appropriation for those programs, the National Direct Student Loan Program for example had its level of capitalization drop from $286 million to $186 million 3 or 4 years ago and is retained at that level, I think it would be appropriate to begin putting additional amounts in each of these programs because they are critical for the campus aid administrator to solve problems.

I would speak briefly about our administrative allowance which I think is at a critical part of the partnership that we have in administering these Federal programs. I think that we should retain the campus-based approach and the current Pell administrative allowance. I would urge a very careful consideration of some administrative allowance for the guaranteed student loan. An analysis of the Penn State cost to administer this program is that it is costing us direct cost, no overhead, $12 per application.

Now every other agency involved in advancing equal educational opportunity by working with these programs is receiving some-

thing from that, certainly the banks, the guarantee agencies, the institutions that are charged with delivering consumer information, problem resolution and service do so through their own capitalization and unfortunately often don't have the staffing to do the programs as I think effectively for families as they might if they were receiving some assistance. I would suggest that perhaps a $5 per applicant fee would be appropriate. I know that some State agencies are now assisting the institutions in their State by providing an administrative allowance but there's an uneasiness about that because some States are not getting it, most are not.

That would conclude my overview, thank you very much.

[Prepared statement of Dr. John F. Brugel follows:]

PREPARED STATEMENT OF JOHN F. BRUGEL, OFFICE OF STUDENT AID, THE PENNSYLVANIA STATE UNIVERSITY

I am pleased to have the opportunity to present testimony on the reauthorization of the Title IV Student Assistance programs. I have been privileged to serve as the Student Aid Director of the Pennsylvania State University for thirteen years. During my tenure, my office has assisted over one hundred thousand (100,000) families to benefit from federal student assistance programs. I have had the opportunity to oversee two hundred thousand (200,000) Guaranteed Student Loans and one hundred ten thousand (110,000) Pell Grants to Penn State students. For the current academic year (1984-85), Penn State students have received 22,600 Guranteed Loans, 10,500 Pell Grants, and 8,800 Campus Based awards.

The foregoing data are provided as background to my clear and strong conviction that the current federal assistance programs are working effectively. The programs have extended educational opportunity and assisted in providing reasonable educational choice. The opportunity to review the programs and suggest improvements is welcomed—my comments are designed to strengthen an effective product and process that annually benefits millions of students.

Prior to discussing individual program improvements, I wish to share the results of three recent Penn State studies which relate to federal student aid financing. The first study assesses the portion of current cost borne by Penn State students and families. The second analysis assesses the relationship between student aid delivery and Penn State's cost of attendance. The third study identified the level of cumulative borrowing or deferred cost experienced by Penn State students.

An analysis of the 1984-85 sources of student assistance (see Attachment I) illustrates the portion of cost borne by financial aid in relation to family contribution. Contrary to impressions conveyed by the Adminsitration, families are carrying the major share of cost. The current analysis (academic year 1984-85) indicates that families paid 65% of the aggregate Penn State cost of attendance. If loans (deferred work) and work programs are considered, the family assumes 88% of the cost. A similar analysis performed in 1981 indicated that 58% of the aggregate cost was borne by the family. The inclusion of self help aid (loans/work) increased the family involvement to 82%. Our data suggest that families are carrying the major cost and that this has increased over the past four years. Over the 4 year period, the family share of cost increased by 7%. Stated conversely, aid delivery accounted for only 35% of cost this academic year as opposed to 42% during the 1980-81 academic year.

While the previous study might suggest an abudant aid delivery, an analysis of cost, aid, and consumer price index (CPI) changes since 1975 clearly illustrates (see Attachment II) that aid availability is not keeping pace with cost increases. Holding the CPI as a constant, the relative changes in cost and aid portray a bleak financial landscape for students and families. While cost increases have far outstripped the increases in the CPI, aid availability has fallen precipitously since 1980. Each of the major partners; government, business and industry, institutions, and families must assist by doing more to reduce the growing aid shortfall.

One area of national financial aid concern is the growing dependence on student loans. The Penn State Administration shares this concern and initiated a study to assess the indebtedness of the 1983 graduating class. The findings (see Attachment III) suggest that the mean level of cumulative Baccalaureate degree borrowing is reasonable ($7,135 for in-state and $8,564 for out-of-state students). However, the

fact that 13% of in-state and 33% of out-of-state students borrowed over $10,000 for their first degree is reason for concern.

In our analysis, we identified one extreme case where an out-of-state student accumulated a $19,000 debt through concurrent GSL, NDSL and university loan borrowing.

I wish to note that while Penn State students are active borrowers, they are equally active and responsible in meeting their repayment obligations—approximately 95% of both NDSL and GSL borrowers are either in repayment or good standing.

CAMPUS-BASED AID

The Campus based aid sources consist of the oldest (NDSL) and perhaps most popular (CW-S) of the aid programs. Efforts to consolidate the campus based programs into a single employment program should be resisted. Though superficially appealing, the proposed simplicity of a single loan (GSL), a single Grant (Pell), and a single employment program (CW-S), would reduce the effectiveness of the current national aid delivery.

Campus administrated funds are available to immediate assist the neediest students and families. The availability of these funds enhances the likelihood that emergency and unusual circumstances are accommodated in a timely fashion. The delivery system for Pell and GSL invariably require extended lead-time, and from the family's perspective, often inexcusable and unacceptable delays. A timely example is the delayed issuance by the Department of Education of the Pell Grant schedule of payments for the 1985-86 academic year.

The campus based funds, though small in relation to the GSL and Pell programs, extend a flexibility and responsiveness which should not be lost. Accordingly, I would urge that the programs be re-authorized and that the sums allocated for the programs be incrementally increased.

NDSL

Current capitalization is inadequate. Program should be restored at least to it's former $286 million level.

Interest rate can be increased. Though a lower interest rate is desirable, the main strength of the program is its availability to quickly solve family problems.

Annual limits should be increased—undergraduate maximum of $12,500. Career limits of $20,000.

SEOG

This program is of critical importance to our efforts to extend opportunity to our neediest students. Specifically, the award assisted 2,500 exceptionally needy students last year. Students receiving the award had financial needs exceeding $5,900 (80% of total cost-of-attendance for in-state students).

PSU had to deny SEOG to nearly twice as many needy students as were awarded. The documented demand for funds far exceed their availability.

Penn State extended SEOG to approximately 75% of our Black Pennsylvania freshmen. The award reduces loan obligations for the most extremely needy students.

Increase annual maximum to $3,000.

Award only to institutions neediest students.

Increase inter-fund transfer between CW-S and SEOG from current 10% to 20%.

CW-S

Demand far exceeds available funding. Highly popular program with family, students, faculty and staff. Often assists students with career related work—aids students in academic retention.

Incremental appropriation increase would assist in containing debt level for neediest students an area where the Administration has shown appropriate interest.

ADMINISTRATIVE ALLOWANCES

Continuation of the current Campus-Based and Pell administrative allowance is appropriate given the degree of involvement necessary to meet federal information, award calculation, validation, and reporting specifications. The federal government has a responsibility to share in the administrative cost of federal programs whose administration has been substantially delegated to non-federal agencies.

The Guaranteed Student Loan is the only Title IV Student Assistance Program without administrative allowance support. The public information, problem resolution, and processing requirements of the program are significant. Currently, Penn State employs 9 full-time equivalent professional and clerical staff, supplemented by 15 temporary employees. Penn State's direct costs for GSL activity are approximately $12.00 per application. A $5.00 per application Administrative Allowance would reflect a conservative cost-sharing with the institution. An administrative allowance for the GSL should be authorized and receive a specific appropriation. Currently, the institution charged with providing public information, problem resolution, and processing receives no financial assistance toward defraying this cost. This oversight warrants correction.

Clearly the single most important financing source for Penn State families. Program annually assists over 40 percent of our total student body. Program coordination and support provided by the Pennsylvania Higher Education Assistance Agency allows program to run smoothly.

Reduce long-term program cost by developing early loan retirement procedure with discounting option.

Retain current presumption of need for families with income less than $30,000.

Cap short form need analysis at $65,000 but allow families to qualify on the basis of uniform methodology need regardless of income.

Increase annual maximum to $3,500 for upper division students. Retain current maximum for lower division students.

Provide loan consolidation option.

PELL

The current percentage of cost and maximum annual award approach outlined in existing law is the best way to administer the program. Efforts designed to award Pell on the basis of tuition sensitivity are self serving and divisive. A true and full cost-of-attendance must be recognized in the calculation.--This national program should provide a financial base which state grant/scholarship programs and institutional funds can supplement. The overwhelming majority of our nation's neediest students are served by lower cost public institutions. Efforts to redirect funds from these deserving students should be resisted.—Let's base formulas on student needs not institutional needs.

The current law, which represented the best thinking of the community, should be retained.

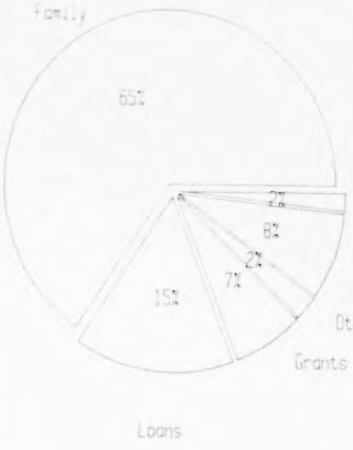
Postsecondary education institutions should be authorized to administer the Pell after the original eligibility determination is established by an approved vendor. Current process is bewildering, cumbersome and indirect—time and federal administrative funds are wasted when the central processor must handle changes and special conditions.

In closing, I wish to reemphasize that the current programs are working well, and should be continued. Existing initiatives to improve information verification will further strengthen the programs and enhance public accountability.

Thank you, Mr. Chairman, for the opportunity to share these thoughts.

ATTACHMENT I

SOURCES OF STUDENT ASSISTANCE 1984-85



Aggregate Cost = $412,163,000

Total Aid = $143,018,000

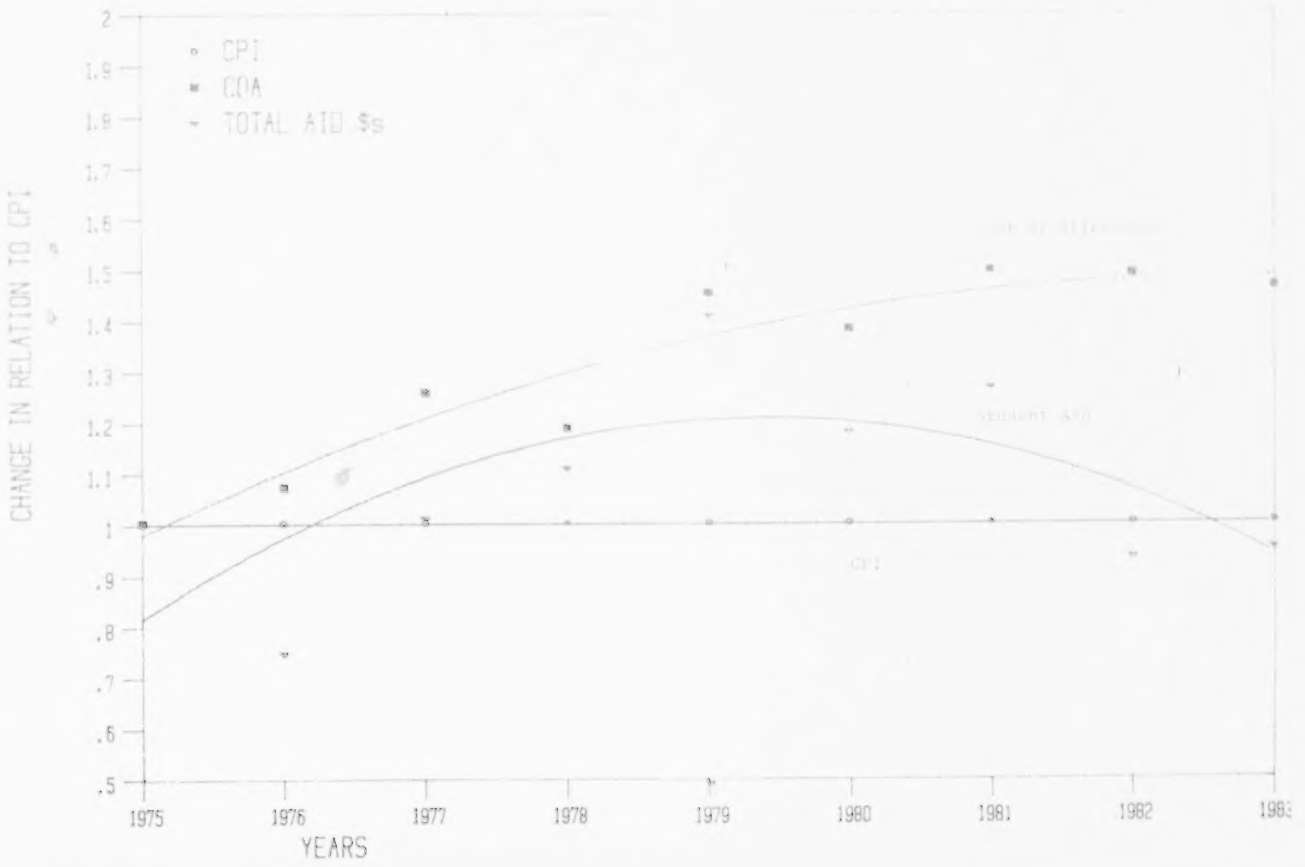
Family Contribution = $269,145,000

SOURCES OF STUDENT ASSISTANCE 1980-81

Aggregate Cost = $283,000,000

Total Aid = $117,956,000

Family Contribution = $165,044,000


CPI
COA
TOTAL AID $s
CHANGE IN RELATION TO CPI
2
1.9
1.8
1.7
1.6
1.5
1.4
1.3
1.2
1.1
1
.9
.8
.7
.6
.5
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEARS

ATTACHMENT III

LOAN INDEBTEDNESS STUDY*

Section A

Level of Cumulative Borrowing	PA Students	Non-PA Students
< - $2,500	13.6%	14.3%
$ 2,500 - $5,000	19.0%	11.6%
$ 5,001 - $7,500	21.8%	13.6%
$ 7,501 - $10,000	32.7%	27.9%
$10,001 - $12,500	8.8%	21.1%
> - $12,501	4.1%	11.5%
TOTAL	100.0%	100.0%

Section B

Cumulative Borrowing Survey	PA Students	Non-PA Students
> - $ 7,500	46	61
> - $10,000	13	33
> - $12,500	4	12

Section C

Average Cumulative Indebtedness (X)	$ 7,135	$ 8,564
Highest Cumulative Debt	$14,972	$19,000

* 1984 Graduating Class - In-State and Out-of-State Baccalaureate Students

Mr. FORD. Thank you very much. Mr. Hine.

STATEMENT OF JOHN HINE, DIRECTOR OF ADMISSIONS AND FINANCIAL AID, CARLOW COLLEGE

Mr. HINE. Thank you, Mr. Chairman and Representative Gaydos for this opportunity to testify. I'm John Hine, the director of admissions and financial aid of Carlow College. Carlow is a small, private liberal arts college for women which enrolls about 750 full-time and 200 to 300 part-time students annually; 90 percent of these students come from western Pennsylvania; 90 percent of our entering freshman have financial need. Based on the uniformed methodology of needs analysis which is used to distribute both Carlow and Federal campus based aid, the average financial need is $7,000.

More then 85 percent of all full-time students at Carlow need aid to attend. The total amount of aid these students received in 1984-85 was $4,462,000, almost $2,290,000 of which was provided by title IV of the Higher Education Act. I think you can understand how important this act is to our students over 600 of whom receive Federal aid.

I would like to touch on five points which are important to Carlow students. First, we would like to see the Pell grant schedule for maximum awards suggested by the National Association of Student Financial Aid Administrators adopt it. That schedule calls for a $2,300 maximum in 1986-87, up to a $2,900 maximum in 1989-90. The fact that the Pell grant maximums did not rise during the last 3 years has forced the college to budget disproportional increases in its own scholarship funds. Those increases were 50 percent this year and 80 percent last year. No increases in Pell grants in an inflationary period also has the effect of forcing the most needy student to borrow a larger portion of her educational expenses.

Second, we feel that guaranteed loan limits should be raised to reflect inflationary increases and costs. The maximum loan amounts for this program have not increased for 9 years. This means that if a student must borrow more then 2,500, less 5 percent origination fee which we feel should be eliminated, she must borrow from more then one source thus increasing the number of concurrent repayments necessary.

Third, the amount of money available for employment is not adequate. Students would rather work than borrow. At Carlow, we must pay everyone the minimum wage and we also must limit the number of students and the number of hours assigned to most students under the College Work Study Program. They would prefer to work longer hours and borrow less, they should also be compensated for their skills. Employment is important not only—because it not only permits students to earn funds which will help to fray educational costs but it also gives them very valuable experience which will help them to be more employable in the future.

Fourth, under the general provisions of this act, part F, title IV, section 489, administrative expenses, NASFAA suggests striking the phrase "for which it receives an allocation by payment" and inserting the words "for which it disburses funds to eligible students". We agree. The Department of Education does not wish to permit institutions to take administrative expenses from NDSL

funds unless a Federal capital contribution was received for that year. Carlow and many other colleges do not receive contributions because we have good collection records; however, because loan funds are the least desirable form of aid, Carlow has chosen to take this administrative expense from NDSL funds.

If the Departments interpretation is permitted to stand, we will have to further reduce the amount available for employment by $25,000 because the administrative expenses will have to come from the work study program. This doesn't make sense if students would rather work.

Fifth, and speaking generally, Carlow is an average price private institution. I mention that our aided students need an average of $7,000 to attend Carlow, the cost for a resident student is $10,340 presently. So they are paying about one-third plus what they borrow and earn or about $6,140 each. We believe that the uniformed methodology is reasonable in terms of what it expects families to contribute. If Federal aid is reduced, students will have no choice but to move to less expensive institutions thus leaving existing facilities less than full and increasing the burden of State taxpayers when existing public facilities must be expanded.

Finally, a word about the legislative process, it creates confusion and forces students to make premature decisions. When announcement of postaid reductions is made, most students and parents do not understand that such proposals probably will not end up as law. But they will change their college plans nonetheless and make price the overriding consideration. The timing of the overall process including trial balloon announcements and late Pell grant tables is not in the best interest of the student.

Thank you very much for your attention.

[Prepared statement of John Hine follows:]

PREPARED STATEMENT OF JOHN HINE, DIRECTOR OF ADMISSIONS AND FINANCIAL AID, CARLOW COLLEGE

Carlow College is a small, liberal arts college for women which enrolls about 750 full-time students and 200–300 part-time students. Ninety percent of these students come from western Pennsylvania. Ninety percent of our entering freshmen have financial need; based on the uniform methodology of needs analysis which is used to distribute both Carlow and federal campus-based aid, the average financial need is $7,000. More than 85% of all full-time students at Carlow need aid to attend. The total amount of aid these students received in 1984–85 was $4,462,000, almost $2,290,000 of which was provided by Title IV of the Higher Education Act. I think you can understand how important this act is to our students, over 600 of whom received federal aid.

I would like to touch on five points which are important to Carlow students. First, we would like to see the Pell grant schedule for maximum awards suggested by the National Association of Student Aid Administrators adopted. That schedule calls for a $2,300 maximum in 1986–87 up to a $2,900 maximum in 1989–90. The fact that Pell grant maximums did not rise during the last 3 years has forced the college to budget disproportional increases in its own scholarship funds. Those increases were 50% this year and 80% last year. No increases in Pell grants in an inflationary period also has the effect of forcing the most needy student to borrow a larger portion of her educational expenses.

Second, we feel that Guaranteed Student Loan limits should be raised to reflect inflationary increases in costs. The maximum loan amounts for this program have not increased for 9 years. This means that if a student must borrow more than $2,500 (less 5% origination fee which should be eliminated), she must borrow from more than one source, thus increasing the number of concurrent repayments necessary.

Third, the amount of money available for employment is not adequate. Students would rather work than borrow. At Carlow we must pay everyone the minimum wage and we also must limit the number of hours assigned to most students under the College Work-Study program. They would prefer to work longer hours and borrow less. They should also be compensated for their skills. Employment is important because it not only permits students to earn funds which will help defray educational costs but also gives them very valuable experience which will help them to be more employable in the future.

Fourth, under the general provisions of this act (Part F of Title IV, section 489, Administrative expenses), NASFAA suggests striking the phrase "for which it receives an allocation by payment" and inserting the words "for which it disburses funds to eligible students." We agree. The Department of Education does not wish to permit institutions to take administrative expenses from NDSL funds unless a Federal Capital Contribution was received for that year. Carlow and many other colleges do not receive contributions because we have good collection records. However, because loans are the least desirable form of aid, Carlow has chosen to take its administrative expense from NDSL funds. If the Department's interpretation is permitted to stand, we will have to further reduce the amount available for employment by about $25,000 because the administrative expense will have to come from the Work-Study program. This does not make sense if students would rather work.

Fifth, and speaking generally, Carlow is an average price private institution. I mentioned that our aided students need an average of $7,000 to attend Carlow. The cost for a resident student is $10,340, so they are paying about ⅓ plus what they borrow and earn or about $6,140 each. We believe that the uniform methodology is reasonable in terms of what it expects families to contribute. If federal aid is reduced, students will have no choice but to move to less expensive institutions thus leaving existing facilities less than full and increasing the burden of state taxpayers when existing public facilities must be expanded.

Finally, a word about the legislative process. It creates confusion and forces students to make premature decisions. When an announcement of proposed aid reductions is made, most students and parents do not understand that such proposal probably will not end up as law. But they will change their college plans nonetheless and make price the overriding consideration. The timing of the overall process including trial balloon announcements and late Pell grant tables is not in the best interest of the student.

Thank you for your attention.

Mr. FORD. Mr. Cathie.

STATEMENT OF WALTER CATHIE, ASSOCIATE VICE PRESIDENT FOR FINANCIAL RESOURCES, CARNEGIE-MELLON UNIVERSITY

Mr. CATHIE. I thank you for the opportunity to testify today before this Postsecondary Education Subcommittee. I am Walter Cathie, associate vice president for financial resources at Carnegie-Mellon University here in Pittsburgh.

Carnegie-Mellon is an independent university composed of over 6,000 students, 4,100 of whom are full-time undergraduates. Financial aid is an important issue with our students; 65 percent of our students are receiving financial assistance. The average financial need is $9,478 with tuition and fees being $9,460 for the forthcoming academic year. The average cost of education at CMU for this year is estimated to be $14,500. What I am saying in effect is that the average ability for the CMU family to contribute is $5,022 or the reciprocal.

As costs go up let's say 6 percent, then a CMU education will escalate to $15,370 for 1986–87. If the family contribution goes up by a commensurate amount, then obviously the family contribution goes up to $5,323, financial aid will also go up 6 percent, an increase of about $570 in financial need.

The average financial need is increasing dramatically, that is certainly not new news. Where do the funds come from, more debt?

The average aggregate loans incurred by our class of 1986 will exceed $12,000 per student and those of students who are receiving need based financial education. Is it an increased institutional commitment? I think as I will follow, we're stretching the limit there.

Let's look at the following Federal programs at CMU and I'm comparing the three major campus based programs, these are the three campus based programs, the Supplemental Educational Opportunity Grant, College Work Study, National Direct Student Loan as well as the Guaranteed Student Loan Program and the Pell Grant Program and then finally the sixth program will be Carnegie-Mellon.

The Pell Grant Program in 1979-80 at Carnegie-Mellon aggregate $1,297,000, this year will be $922,000 and next year we do expect an increase. That 6-year period, dollars have dropped significantly. Supplemental Educational Opportunity Grant, there was a small increase from $1.464 million in 1979-80 to $1.641 million, College Work Study down from $1.325 million 1979-80 to $1.192 million.

At this point I want to make a comment, in 1979-80, it was 80 percent funded by the Federal Government and the student had earnings, it was 80/20 split so to speak. This year it's 50/50 so that we're taking that $1,192,000 and we're adding $1,192,000 of our own money just to come up with additional employment dollars for our students. So we really have a $2 million compensation program.

Obviously that's institutional dollars that are not going out in the form of a grant. National Direct Student Loan Program, again a dramatic increase. Dr. Brugel had indicated that the Federal funding, FCC and NDSL had dropped to $286 million to $186 million, the CMU share during the same period, $766 million in 1979-80, we just finished at $486 million this past year. Guaranteed Student Loans, again self explanatory, $5.4 million in 1979-80 to $8.5 million as what we're anticipating next year.

And most dramatically the Carnegie-Mellon University grant, $1,586,000, it will go up this year to $5,737,000 and again next year another quantum increase. That increase is going up ex-financially. The trend is onerous. We're concerned, we're concerned about continuing to admit students without regard to the parent's ability to pay. We feel we're being forced into a corner.

Continuing, the question has become doing more with no more money. In 1985, Congress and administration will consider legislation to extend or revise the Higher Education Act and in the process will review the structure of the student aid system. At least three alternatives are likely to be discussed and have been reported in the past publication, "Next Steps for the 1980's in Student Financial Aid." The text represents comments and recommendations by the Carnegie Council and policy studies in higher education. This group chaired by Dr. Clark Kerr, a well-known authority in higher education.

Many alternatives will be discussed but I favor a major overhaul of the existing group of programs to make them more equitable in their impact and more sound in their administration within the confines of about the same cost to the Federal Government.

We have a Federal Government under contrary pressures: To hold down expenditures including student aid yet to respond simultaneously to the continuing demands of middle-income parents for selective relief which strongly effected the 1978 adjustments via additional student aid or via tax credits.

Institutions are also fearful under additive pressures of potentially declining enrollments and the growing hesitancy of many States to augment their support. A corollary of this is the intensified conflict between public and private and 2- and 4-year institutions over the respective sharers of public aid.

What can be done? We believe that the current system for allocating financial aid resources is inefficient and results in many inequities. I would concur with the other members who were up here in that the scope, the idea of the campus-based programs is fine. The Pell Grant Program, we would also be in complete concurrence with the other members here, we'd like to see the program decentralized and go into MDE—allow the MDE process to take the next step.

One area which is often ignored is the question, do programs allow for choice as well as access to higher education. Before presenting a synthesized version of proposed solutions I'd like to read to you the enclosed article written by Dr. Richard M. Cyert, president of Carnegie-Mellon University and an internationally noted economist. The paper was entitled "Cutting Aid to Education." The budget deficit has to be a concern of every informed citizen of the United States, each day we hear discussions of ways of cutting the budget and thereby the deficit, each day we hear the various interest groups making strong arguments as to why their particular group should not be cut. Obviously if all of us behave in this fashion and we are listened to, the deficit would never be cut and the country will suffer in the long run. One of the targets of the proposed cuts to reduce a deficit has been financial aid to students. As president of a university and one who has had great concern for education and for the students in higher education, my instinct is to say not us, however, I am also a citizen and recognize that higher education may have to take its cuts along with others if the Nation is to attain some level of fiscal stability.

An intelligent financial aid policy would enable the Federal Government to make a reduction without hurting the vast number of deserving students who would be effected by ill-conceived, across-the-board cuts. I suspect the financial aid story I will tell to be repeated in many other areas of Government expenditures.

Federal financial aid to students is primarily awarded based on some automatic criterion. Specifically, the decision as to whether or not a student is financially needy and is eligible for financial aid is based on the families adjusted gross income. At Carnegie-Mellon University, we refuse to give financial aid on such an automatic criterion. We insist on looking in back of the income that has led to the particular level of adjusted gross income that justifies financial aid.

AGI is an artificial construct of the Federal tax system that often does not give the adequate picture of a family income for financial need purposes. The adjusted gross income deflates a family's income for tax purposes and its use in need analysis and guar-

anteed student loan program eligibility distorts the portrait of a family's actual financial capability to meet educational expenses. This is because certain adjustments are allowable under the IRS code. The Federal Government uses AGI because it is verifiable and because it provides a basic reference point for aid applicants in completing the need analysis forms. Take as an example the real case of a family with a $75,000 income plus additional funds from dividends and interest that has a tax shelter enabling $95,000 to be deducted, the net effect is that the adjusted gross income is a negative number. As a result, the student is viewed as disadvantaged and receives a $1,900 Pell grant and a $2,500 guaranteed student loan.

Carnegie-Mellon refused to give that student any additional aid because the deduction from the tax shelter did not represent disposable income and in our view, the student did not have a financial need.

Take another case of a family with over $200,000 in capital gains in addition to a significant income, a tax shelter and an operating loss from a business, a loss that did not represent a cash loss resulted in a negative adjusted gross income. The student was viewed as disadvantaged and received a $1,900 Pell grant and a $2,500 guaranteed student loan.

I might make an antidotal comment. The mortgage payments this family was making amounted to over $40,000 a year on their home.

Continuing, again, Carnegie-Mellon's financial aid officer refused CMU aid to the student because of a lack of need. In many cases AGI deflates a family's income for tax purposes and it's used in need analysis distorts the portrait of a family's actual financial capacity to meet educational expenses. These are only two of a large number of cases that have come directly to the cognizance of our financial aid office. How many are there in this country as a whole, no one knows but it is clear that a change in this procedure could save millions of dollars.

The Department of Education needs a procedure that evaluates each students application and does not look merely at adjusted gross income to determine eligibility. Such a procedure can be developed and programmed so that a computer could do the work. It is not ever necessary to use any of the thousands of employees in the Department to accomplish the task.

One would hope that the money that could be saved by this procedure would be used to further help those urgently in need of aid. If education must take its share of the budget cuts, I would like to see an evaluation based on the principle of looking at each case and eliminating the AGI as the simple criterion.

At Carnegie-Mellon University, we have offered a variety of financial aid proposals which could save biliions of dollars if implemented. These include, but are not limited to, basic changes in the parental responsibility for educating their children as well as fraud, waste, and abuse items in the process endorsed by the Department of Education.

I suspect there are many similar cases in other departments of Government of procedures costing all of us large amounts of money that could be saved with a more meticulous investigation by Gov-

ernment employees. The tendency I'm afraid is to ignore the details in order to handle large numbers of cases. With the availability of computers, such sloppiness in the administration is neither necessary nor excusable.

In the case of financial aid, the Department of Education is using a meat ax procedure and hurting many innocent people. More precise methods are available and their use will keep the deserving from being hurt.

I would now like to briefly review the proposed solutions or some proposed solutions for your consideration. One, offer the current Federal aid system to remove AGI as a basis for eligibility. This is subheading capital loss and capital gains should not be an adjustment to income. Two, depreciation on secondary and tertiary holdings should be factored back in. Three, carryforward investment tax credits should be disallowed. Four, nontaxable income should be factored in, that is, access 401[k] salary reduction agreements.

AGI is an artificial construct that often fails to provide an adequate picture of the family's income for need analysis purposes.

Base the GSL eligibility system on financial need, not on an artificial income cutoff level. We would recommend the complete elimination of any artificial income cutoff level.

Three, use ERISA, that's the Employee Retirement Income Security Act assets as a measurement in evaluating the family's financial strength. Four, basic philosophical change for the independent student, that's been brought up earlier this morning. There is a huge abuse in this area and we estimate it to be over $1 billion annually. Five, a basic philosophical change required for the noncustodial parent contribution, talking about divorced, separated situations. Now the expectation from such a parent is nominal to nonexistent. Six, logical rules for overawards in the Pell Grant Program, you never return a Pell grant dollar if a student has more free dollars then what he or she needs and what I'm talking about is the student who gets let's say an ROTC scholarship, corporate scholarship tuition remission and has received a Pell grant. Seven, abuse and here three points: One, how the home value is determined. This is something that the college scholarship service is now providing on analyzed financial aid form. As it goes now as the system provides, the parent is simply asked, give us the market value or give us the mortgage and the equity as imputed.

It's not checked to see if there's—the person is attempting to report a reliable figure.

Two, the number of children in college simultaneously. Data conducted researched by PHEAA as well as New York and as well as by our institution indicate there is a substantial number of students who are receiving aid based on more then one child in college simultaneously and that simply is not the case. Three, interest in dividend income to reported liquid assets and we're asking those to be—to correlate those.

Finally, adjust the lenders GSL payout or consider adjusting it to 3 percent—there's a typo—over the T bill rate rather than the existing 3 percent.

Finally, a basic building block of student financial support should be an explicit self-help component, this has been recommended by the Carnegie Council a number of years ago. Family

income is no longer sufficient indication of need both because of the high and increasing proportion of students listing themselves as independent, some of whom are independent and some of whom find this description a way to maximize public support.

Self-help in any event is intrinsically a better indication of both the students need for support and his or her determination to secure a higher education. What effort is the student willing to make to finance his or her further education. Such self-help is in the long standing American tradition of self-reliance and it assures to the public at large that Government aid has been merited by individual effort and not just by manipulation of the rule and by political pressure.

Additionally, we believe that an explicit self-help component is an important aspect of developing in students a sense of responsibility for their own advancement and of encouraging a more accurately acutely sense necessity for the prudent use of time and money. We are convinced that the reasonable amounts of work perhaps through a maximum of 15 hours per week are not only possible but also desirable.

It has been found that work during term time is positively correlated with the persistence of students in school. Work builds social ties to the campus and to the community, it also provides work experience for the employment record of students and as a source of recommendations.

The self help formula should escalate based on year in school. And before any student can receive grant aid, they should be required to work and/or borrow at a nominal level. It is apparent that this expectation needs exceptions for students who are nontraditional as well as less then full time students.

In summary, the current financial aid programs are working, we're recommending some refinement with a mixture of campus based and direct grant programs to allow flexibility, the real issues are the adequacy of need analysis system and the philosophy of distributing aid resources to allow for access and choice in selecting their postsecondary education.

That, Mr. Chairman and members concludes my testimony. Again, I want to thank you for this opportunity.

[Prepared statement of Walter Cathie follows:]

PREPARED STATEMENT OF WALTER C. CATHIE, ASSOCIATE VICE PRESIDENT FOR FINANCIAL RESOURCES, CARNEGIE-MELLON UNIVERSITY, PITTSBURGH, PA

I thank you for the opportunity to testify today before this post-secondary education subcommittee. I am Walter C. Cathie, Associate Vice President for Financial Resources, at Carnegie-Mellon University here in Pittsburgh. Carnegie-Mellon University is an independent university composed of over 6,000 students, 4,100 of whom are full-time undergraduates.

Financial aid is an important issue with our students. Sixty-five percent of our students are receiving financial aid. The average financial need is $9478 with tuition and fees being $9460 for the 1985-86 academic year. The average cost of education at CMU for the coming year is estimated to be $14,500. What I am saying—in effect—is that the average ability for the C-MU family to contribute is $5022.

Cost of C-MU Education 1985-86	$14,500
Less: Family Contribution	-5,022
Average financial need	9,478

As costs go up—let us use 6%—then a C-MU education will escalate to $15,370 for 1986-87. If the expected family contribution goes up a commensurate amount—6%—then it would be $5323. What is the result . . . financial need goes up to $10,047 . . . an increase of $569.

Cost of C-MU education 1986-87	$15,370
Less: Family contribution	−5,323
Average financial need	10,047

The average financial need is increasing dramatically . . . .
Where do these funds come from???
(a) More debt
(b) Increase institutional commitment
Let's look at the following federal programs at C-MU. . .

[Dollars in millions]

Financial aid programs	1979-80	1984-85	1985-86
(1) Pell Grant (amount and number of recipients	$1.297 (1,340)	.922 (786)	.940 est. (820)
(2) Supplemnent Educational Opportunity Grant	1.463	1.641	1.641
(3) College Work Study—Federal dollars	1.325	1.192	1.192
(4) National direct student loan	.766	.486	.501
(5) Guaranteed Student Loan	5.443	8.239	8.502 est.
(6) Carnegie-Mellon University Grants	1.586	5.737	7.532 est.

The trend is onerous. The question has become "Doing More with No More Money."

In 1985, the Congress and administration will consider legislation to extend and revise the Higher Education Act and, in the process, will review the structure of the student aid system.

At least three alternatives are likely to be discussed and have been reported in the past in the publication, "Next Steps for the 1980's in Student Financial Aid." The text represents comments and recommendations by the Carnegie Council on Policy Studies in Higher Education. This group was led by Dr. Clark Kerr, a well-known authority in higher education.

Many alternatives will be discussed but I favor a major overhaul of the existing group of programs to make them more equitable in their impact and more sound in their administration—within the confines of about the same cost to the federal government.

We have a federal government under contrary pressures: To hold down expenditures, including student aid; to respond, simultaneously, to the continuing demands of middle income parents for selective relief; which strongly affected the 1978 adjustments via additional student aid or via tax credits.

Institutions are also fearful under the additive pressures of potentially declining enrollments and the growing hesitancy of many states to augment their support. A corollary of this is an intensified conflict between public and private, and 2-year and 4-year institutions over their respective shares of public aid.

WHAT CAN BE DONE

We believe that the current system for allocating financial aid resources is inefficient and results in many inequities. One area which is often ignored is the question, Do aid programs allow for Choice as well as Access to Higher Education? Before presenting a synthesized version of proposed solutions, I'd like to read to you the enclosed article written by Dr. Richard M. Cyert, President of Carnegie-Mellon University and an internationally-noted economist (see Att. 1).

I would now like to briefly review proposed solutions for your consideration.

SOLUTIONS

1. Alter the current federal student aid system to remove ACI as the basis for eligibility.
(a) Capital loss/gain should not be an adjustment to income.
(b) Depreciation on secondary/terciary holdings should be factored back in.
(c) Carry forward investment tax credits. Should be disallowed.

(d) Non-taxable income should be factored in, i.e., access 401(k) salary reduction agreements.

AGI is an artificial construct that often fails to provide an adequate picture of family income for need analysis purposes. AGI deflates a family's income for tax purposes and its use in need analysis and GSL eligibility distortes the portrait of a family's actual financial capability to meet educational expenses.

2. Base the GSL eligibility system on financial need, not on an artificial income out off level.

3. Use ERISA (Employee Retirement Income Security Act) assets as a measurement in evaluating a family's financial strength. IRA/Keough asset accumulations should also be considered.

4. Basic philosophical change required for independent students. This is a hugh abuse—over $1 billion annually.

5. Basic philosophical change required for the non-custodial parent (divorced/separated) contribution for a needy student from a broken home. Now, the expectation from such a parent is nominal to non-existent.

6. Logical Rules—for overawards in the Pell Grant Program—you never return Pell dollars if a student has more free dollars than what he/she needs—ROTC, Corporation Scholarships and Tuition Remission are not considered.

7. Abuse—Re-evaluate: a. How home value is determined; b. No. of children in college simultaneously; and c. Interest/dividend income to reported liquid assets.

8. Adjust the lenders GSL payout to 2% over T Bill rate rather than T+3½ with no risk.

Finally . . . .

9. A baisc building block of student financial support should be an explicit self help (loan/job) component.

Family income is no longer a sufficient indication of need, both because of the high and increasing proportion of students listing themselves as "independent," some of whom are really independent and some of whom find this description a way to maximize public support.

Self-help, in any event, is intrinsically a better indication of both a student's need for support and of his or her determination to secure a higher education. What effort is the student willing to make to finance his or her further education? Such self-help is in the long-standing American tradition of self-reliance, and it gives assurance to the public at large that governmental aid has been merited by individual effort and not just by manipulation of the rules or by political pressure. Additionally, we believe that an explicit self-help component is an important aspect of developing in students a sense of responsibility for their own advancement and of encouraging a more acutely-sensed necessity for prudent use of time and money.

We are convinced that reasonable amounts of work, perhaps to a maximum of 15 hours a week, are not only possible but also desirable. It has been found that work during termtime (up to 15 hours a week) is positively correlated with persistence of students in school. Work builds social ties to the campus and to the community. It also provides work experience for the employment record of students and as a source of recommendations.

The self-help formula should escalate based on year in school as follows:

Academic Year earnings	$750
Summer earnings—on campus or off campus	$750
Loan	$1,000
Total min. self-help component	$2,500

Hence, before any student can receive grant aid, they should be required to work and/or borrow at a nominal level. It is apparent that this expectation needs exceptions for students who are non-traditional as well as less than full time students.

In summary, the current financial aid programs are working. The mixture of campus-based and direct grant (Pell) programs allows flexibility. The real issues are the adequacy of the existing need analysis system and the philosophy of distributing aid resources to allow for access and choice in selecting a cost-secondary institution.

That, Mr. Chairman and Members, concludes my testimony. Again, I thank you for this opportunity.

ATTACHMENT 1.—CUTTING AID TO EDUCATION

Richard M. Cyert

The budget deficit has to be a concern of every informed citizen of the United States. Each day we hear discussions of ways of cutting the budget and, thereby, the

deficit. Each day we hear various interest groups making strong arguments as to why their particular group should not be cut. Obviously, if all of us behave in this fashion—and we are listened to—the deficit will never be cut and the country will suffer in the long run.

One of the targets of the proposed cuts to reduce the deficit has been financial aid to students. As president of a university and one who has great concern for education and for the students in higher education, my instinct is to say "not us." However, I am also a citizen and recognize that higher education may have to take its cuts along with others if the nation is to attain some level of fiscal stabliity.

An intelligent financial aid policy would enable the federal government to make a reduction without hurting the vast number of deserving students who will be affected by ill-conceived, across-the-board cuts. I suspect the financial aid story I will tell can be repeated in many other areas of government expenditures.

Federal financial aid to students is primarily awarded based on some automatic criterion. Specifically, the decision as to whether or not a student is "financially needy" and is eligible for financial aid is based on the family's adjusted gross income (AGI). At Carnegie-Mellon University we refuse to give financial aid on such an automatic criterion. We insist on looking in back of the income that has led to the particular level of adjusted gross income that justifies financial aid.

AGI is an artificial construct of the federal tax system that often does not give an adequate picture of a family's income for need analyses purposes. The adjusted gross income deflates a family's income for tax purposes, and its use in federal need analyses and Guaranteed Student Loan eligibility distorts the portrait of a family's actual financial capability to meet educational expenses. This is because certain adjustments are allowable under the Internal Revenues Service (IRS) code. The federal government uses the AGI because it is verifiable and because it provides a basic reference point for aid applicants in completing need analysis forms.

Take as an example the real case of a family with a $75,000 income—plus additional funds from dividends and interest—that has a tax shelter enabling $95,000 to be deducted. The net effect is that the adjusted gross income is a negative number. As a result, the student is viewed as "disadvantaged" and receives a $1,900 Pell Grant and a $2,500 Guaranteed Student Loan.

Carnegie-Mellon refused to give the student any additional aid because the deduction for the tax shelter did not represent disposable income and, in our view, the student did not have financial need.

Take another case of a family with over $200,000 in capital gains in addition to a significant income. A tax shelter and an operating loss from a business, a loss that did not represent a cash loss, resulted in a negative adjusted gross income. The student was viewed as a disadvantaged student and received a $1,900 Pell Grant and a $2,500 Guaranteed Student Loan.

Again, Carnegie-Mellon's financial aid officer refused CMU aid to the student because of a lack of need. In many cases, AGI deflates a family's income for tax purposes and its use in need analyses distorts the portrait of the family's actual financial capacity to meet educational expenses.

These are only two of a large number of cases that have come directly to the cognizance of our financial aid office. How many are there in the country as a whole? No one knows, but it is clear that a change in this procedure could save millions of dollars.

The Department of Education needs a procedure that evaluates each student's application and does not look merely at the adjusted gross income to determine eligibility. Such a procedure can be developed and programmed so that a computer could do the work. It is not even necessary to use any of the thousands of employees in the department to accomplish the task.

One would hope the money that could be saved by this procedure would be used to further help those urgently in need of aid. If education must take its share of the budget cuts, I would like to see an evaluation based on the principle of looking at each case and eliminating the AGI as the simple criterion.

At Carnegie-Mellon, we have offered a variety of financial aid proposals which could save billion of dollars if implemented. These include, but are not limited to, basic changes in the parents' responsibility for educating their children, as well as fraud, waste and abuse items in the process endorsed by the Department of Education.

I suspect there are many similar cases in other departments of the government of procedures costing all of us large amounts of money that could be saved with a more meticulous investigation by government employees. The tendency, I am afraid, is to ignore the details in order to handle large numbers of cases. With the availabil-

ity of computers, such sloppiness in administration is neither necessary nor excusable.

In the case of financial aid, the Department of Education is using a meat-ax procedure and hurting many innocent people. More precise methods are available and their use will keep the deserving from being hurt.

Mr. FORD. Thank you. Mr. Cathie, your item 5 on page 2 of solutions, what'd you have in mind there?

Mr. CATHIE. On the noncustodial parent? Basically, it's already in effect for a number of colleges and universities. Several years ago, college scholarship service was asked to develop and did so a form called a divorce/separated parents statement which is optional. Using that statement, there are a considerable number of colleges and universities that are asking the noncustodial natural parent to complete this document and then using the results of that document to expect a contribution from that noncustodial parent.

This is a sensitive area, it's an area where you have to be cognizant that in some cases there is no relationship with the noncustodial parent but in a number of cases there is a relationship and that parent does have an ability to contribute and at the current time he's making no contribution, child support in many States ceases at the age of 18.

We have been doing this at Carnegie-Mellon since 1979-80, if I were to take the aggregate of all the child supports for all the students at CMU and add them together what we're expecting, it's not expected by the Federal Government in the aggregate, it is currently $404,000. Obviously that is saying to the family, gee, we expect the noncustodial parent to have a moral obligation in assisting the education process of their child to the extent that they're able and that for us has been a reasonable expectation. We measure it, we know that—I'm trying to think how to explain this in more basic terms. It is not a punitive policy, in other words, in the freshman class, we're admitting students, we admit 200 students when we're expecting child support payments, our normal yield on a student, once admitted, we expect about 42 percent of those students to matriculate. We have a very similar yield in situations where expecting a contribution from a noncustodial parent, that tells us it's a reasonable policy.

Mr. GAYDOS. Let me ask you a question.

Mr. CATHIE. Yes, sir.

Mr. GAYDOS. Are you not second guessing the courts and the system that we have in place now down in Allegheny County whereby they make support orders as such per se and it is subject to change as the years progress?

Mr. CATHIE. No, sir. We're not attempting to second guess them, if there is a child support——

Mr. GAYDOS. You're introducing another element you know and to make a determination as to financial aid——

Mr. CATHIE. Yes, sir we realize that.

Mr. GAYDOS. For that period, I think you're treading in a very dangerous area. You're the public port you know that with that respect.

Mr. CATHIE. Well the courts have mandated child support, we're using that figure.

Mr. GAYDOS. OK.

Mr. CATHIE. In other words, where the courts have told us the noncustodial parent is contributing $1,800 then that is the figure that is being utilized in the Federal need analysis system.

Mr. GAYDOS. I don't want to get into the details but I'll be very frank with you because of our limitation of time but to me I think that you're stretching it and you might be looking for a solution in a place where a solution is not present and you're getting into some very sensitive areas.

Let me ask you a question if I may, Mr. Chairman. You mentioned two factors above that there in No. 3, now this Labor and Education Committee is the one that conceived and adopted a recent Employer Retirement Income Security Act, I want to know and I'm really curious, I want to know what you look at and how you look at things of that nature in order to determine a financial ability, what does ERISA have to do with it?

Mr. FORD. Well, as you know——

Mr. GAYDOS. I was really astounded when I saw that, I don't care if the Keough is arguable back and forth, an IRA but we're talking about ERISA now. I'm very——

Mr. CATHIE. Well if the system is attempting to——

Mr. GAYDOS. What system are you speaking of?

Mr. CATHIE. The Federal financial need analysis system. If it's going to attempt to measure the parents ability to contribute equitably, there can be great distortion because parent X can have a $50,000 income and not have any assets set aside in one of those programs and student Y can have a $70,000, be sheltering $20,000——

Mr. GAYDOS. I'm not arguing the point about sheltering and looking at the net worth. I'm arguing about the concept of ERISA, unless I am mistaken and didn't know what I have voted upon many years back, I want to know how ERISA works into it.

Mr. CATHIE. Well——

Mr. GAYDOS. Could you tell me?

Mr. CATHIE. Right now you can't look at that information, we have no way of measuring it, there is no vehicle to measure that.

Mr. FORD. Well, what would you find if you looked here?

Mr. CATHIE. Excuse me?

Mr. FORD. I think what Joe wants to know, what would you look at it for, what would you like to find there?

Mr. CATHIE. Well, to measure the assets as well as the income of family's equitable.

Mr. FORD. Well how do you do that by looking at ERISA data?

Mr. CATHIE. Well, there are resources that parents can set aside that could—for their retirement and the system already builds in a retirment shelter.

Mr. GAYDOS. Let me suggest to you that you might want to take a second look at that because if I remember the concept, I'm not here in an argumentative fashion, if I remember the concept, that wouldn't be an area I think that would serve your purposes and I'd strongly suggest to you to reanalyze the ERISA audits, connotations and what it actually does do. I think it'd be sufficient because this committee spent many, many years on it. In fact, we spent 5 years going around the whole country before we put ERISA into

effect and I can't for the life of me conceive whereby any aspect of the act and the connotation of the act and what it includes would be helpful for your particular purposes.

Mr. CATHIE. Well, as you know the Federal need analysis system measures net worth of a parent, of a family as well as the income side of the picture and what we have to look at now in measuring it is net worth without knowing whether the parent has one retirement plan, two retirement plans, three retirement plans.

Mr. GAYDOS. All right, let me suggest to you that ERISA is based upon a principle injecture, things that may occur down the line many years in the future. Now whether ERISA and its protective devices come into play, I want to assure you is a matter of facts that may or may not occur down the road. So that's why I find it very difficult to conceive of a situation whereby the concept of ERISA and all that it stands for would be helpful in determining the net assets or the viability or the financial status of an individual. That's the only point I'm making. You probably will be appearing and probably do advocate your position in other areas. You're in friendly sources here, I would suggest that there would be fundamental and substantial defectiveness in that argument as I see it in my humble opinion. That's the only point I want to make to you.

Mr. Chairman, I have no questions and I yield to the Chair.

Mr. FORD. I have to agree with Mr. Gaydos. For years I've been trying to get the family home exempted, in 1980 we did that and then in 1981 the Gramm-Latta put it back in and it makes absolutely no sense to me in trying to determine how much money a family has available to send a kid to college to look at the value of the homestead and suggest that the family go out and mortgage it or sell it jeopardizing the rest of the family for one of them to go to college, that's just not going to happen. Nevertheless, we take that into account as an asset even though it's not available to be used for education costs.

ERISA is in the same bracket, every employer and every trustee under ERISA reports annually to the Federal Government the assets and liabilities of a pension plan but there is no way on the basis of those filings to find out the attributable liability to an individual employee. An employee in a multiemployer plan may have a theoretical recovery at some stage when they retire out of their share of that fund, but there's no way to calculate it and no way to be sure even with ERISA that it's going to be there.

If you're talking about retirement income when received as a family asset that's one thing, but if you're talking about a potential value in something that's ERISA sheltered, it's entirely different, as Joe pointed out, then the Keoughs and the IRA's. The reason you get a reaction out of both of us is that there are people who would jump at that, as Lyndon Johnson used to say, like a duck on a june bug and say here's another asset we can get to save some money.

Now the other thing that you talk about down here is really a problem when you talk about this noncustodial parent, there was a recent appellant court case. I can't recall immediately where it was decided, but a young woman's father had been ordered to pay for her support until she was 18, she started college before she was 18

and then his legal obligation for her support ended under the court order. She sued the father on the ground that he had a continuing responsibility for her education and I believe it was at a State and appellant court level, the court held that there is no common law or statutory requirement for a parent of a presumptive adult to pay for education costs. As a matter of fact, except for the provisions in welfare laws and other things, there's no obligation for them to pay for any costs. There's a continuing obligation by reason of familiar affinity for people who receive public assistance, you can go after responsible family members who have assets to ask them to offset the public costs, that's an entirely different approach.

And, this presupposes that there is some practical way in which you could impose that responsibility on the non-ustodial parent and have it produce anything. I know of none, I also don't believe that we in an education bill want to start writing child support requirements because we have a lot of people after us to do that now and the Judiciary Committee works full time not to do it, States have their own systems. We've always left that to the States and when you talk about the specific instances you have in mind, I think you ought to check back and see if this isn't what happens. Two people with children at or about college age severing a marriage relationship who enter into an involved property settlement agreement, a part of which involves some continuing payments to the nonworking spouse and some commitment that there will be an additional payment for education costs and other contingencies that may arise that the noncustodial parent doesn't have because of the relationship of being a parent but because of the marriage contract being terminated under specific terms by the property settlement agreement and in that property settlement agreement in order to get something else, the noncustodial parent says well, I'll pick up the health insurance for the kids until they get married and go off and I'll do some other things and I'll continue to carry that responsibility in lieu of giving you all my cash now so that you can put it in the bank. That's not uncommon and that may be why some of your noncustodial parents are responding but there is no way to make them do that, that's a voluntary contractual arrangement that they've entered into under the aegis of the court. So, I hope you don't publish that in the paper someplace and get our nonlawyer colleagues in the Congress thinking there's a great source of money out there. Believe me, I'll have to be very careful when I say this, there are groups of people who spend full time working on us about abandoned families and abandoned wives in particular who would love the approach of having a Federal statute impose any kind of a continuing responsibility on the absent parent, they always describe this absent parent to us as a no good bum who took off and gave up his responsibilities. I practiced law long enough to know that that isn't always the case but the Congress for years has been under pressure to do things of that kind and the committee that does deal with those issues, the Judiciary Committee, has, in my opinion, very wisely been extremely careful about venturing into that area and I hope that you don't take offense at the strong reaction that Joe and I have to it but there are

two areas you're touching that are brand new to this discourse and that could be very troublesome.

Mr. CATHIE. I might add with your reaction, maybe this shows to the lengths of which colleges and we're by no means singular in this area, when I talk about this divorce/separated statement, it's available in every college and university in this country and that many many schools are asking for that document to try to reach a reasonable level of expectation from the noncustodial parent.

Mr. FORD. Well you're asking for that now because you have autonomy as a private institution to ask for anything you want. Literally until we get the *Grove City* case squared away, you can go back to discriminating on the basis of sex if you want to. The President says we don't really need to clean that up because the schools won't do it but you have the right as a private corporation to make those requests with respect to the funds that you're generating to help that student and indeed as a condition to determining the kind of student you want in your institution but I don't think you have that right to add these other factors when determining need under the Federal needs analysis and we have tried to write the needs analysis, all be it ineffectively or inefficiently when viewed from one perspective, as simplistically as possible so that we don't have people at some other level imposing on students seeking Federal aid, a condition we never intended they would have to meet. It's not a condition that in a larger and less well organized institution then Carnegie-Mellon you could administer very effectively. I would shudder to think about what would happen in our major big city universities if you asked the student aid people to start going into issues like that, they would go berserk. And they'd never get the papers processed. If you've got the wherewithal to do it and it works fine for you, we're not going to bother you, but we hope you aren't suggesting that we ought to impose this on all of the student aid system as a part of the need analysis. I understood that you were giving these suggestions as changes in our requirements for needs analysis and that's why I reacted this way. Is that correct?

Mr. CATHIE. That's correct.

Mr. GAYDOS. Mr. Chairman, yield. I want to make one statement if I may and I want to be quite emphatic about it. I think your presentation is excellent, factually it's very significant and I think meaningful and I want you to know it's not the purpose of this committee to call you here and then get into an argument with you. Argumentation is not what we're here for but I want you to understand that I really sincerely mean when I suggest to you that the very viability of your statement may be suspect if in other places you would include them to be subject to some argumentation and some discourse which you probably wouldn't want to effect hopefully if that position as such would appear in there. We're not trying to tell you what to do. All I raised was a question to get a clarification because to me it just seemed fundamentally impractical but if that's the policy and that's what you're doing and that helps you, fine, so be it.

I think I'd have grave limitations myself to make an attempt to——

Mr. CATHIE. Right now there's no way to get on ERISA to get that information, it's not there.

Mr. GAYDOS. I want you to know we appreciate your coming here, we're most respectful of you and I didn't want my remarks when I raised that question to be misinterpreted in any manner because I didn't mean it that way, I want you to know that. I respect you and I think your statement is an excellent statement.

Mr. CATHIE. Thank you.

Mr. FORD. Thank you very much, gentlemen. I had one for Mr. Hine.

Mr. GAYDOS. I have a practical question, Mr. Chairman while you're getting that question. May I ask it?

Mr. FORD. Sure.

Mr. GAYDOS. All four of you if I may. We hear about the work-study programs and things of that nature and many of us attended universities and rather difficult courses of course to supplement our income to pay for our tuition. Am I off base and do you agree with me when I conclude that I have great reservations about the Work Study Program because when you go to school, I always presumed that you should be on an equal footing with someone whose family is more financially able to send you to a college to participate in all extra curricular activities, you know such as making you travel on a debate team and things like that, I am of the conclusion and I want to know how you feel about it that your education lacks substantially, I'm talking about education when you're forced in varying degrees to participate in work-study programs. I would say there's a deficiency there, whether it's real or imagined or what have you and I wanted to know what you professionals think about it.

Dr. BRUGEL. I can respond to that, Mr. Gaydos. I think that we all share your concern that students are receiving Federal student assistance not be placed at a disadvantage to any of the other students academically. I think that the number of studies that have been conducted on employment programs and the effect on academic achievement is that if that level of study on a weekly basis is 15 hours or less, there is no statistically significant difference in their academic achievement.

I currently have three youngsters enrolled in school and I know that when they are not studying or working, they're off and doing other things that are very important to them. I believe that when they are working and I urged that all of them do that and they are not receiving Federal student assistance, I think that's an important part of their educational development in taking responsibility and I don't think that it places my kids at a disadvantage, I think actually that it really assists them in better appreciating what they're experiencing. Student Work Study Program is from my perspective the important cornerstone in what we're doing. Our faculty love it, it happens to be a program that students and families just clamour for, we don't even begin to have sufficient work-study funding to meet the student demand and the faculty demand for it.

Mr. GAYDOS. How would you respond to the argument that the studying in itself is a lot of work No. 1 and No. 2, 15 hours is some arbitrary figure, 15 hours could have been spent in the library working on——

Dr. BRUGEL. Well, I'm sure they could, Mr. Gaydos, but I find that most kids don't do that, at least mine don't and most of the youngsters that I know——

Mr. GAYDOS. You're committed to a work study program then?

Dr. BRUGEL. Well, I just—I know that we say that for every in class hour, you should spend 3 hours studying. I spent a good number of years in postsecondary education and my wife who works at Penn State as an academic adviser, I can assure you most students do not follow that regimen and if they're not studying as much as they should, sometimes they would say oh well, I had to work so I didn't do as well, really what that means is that they spent more time with their social affairs then they should have.

I have not seen from Penn State's perspective any negative effect and our folks love it, our students love it, parents are terribly, terribly supportive of the program.

Mr. BRANDT. I'd like to also respond. On our campus, we receive $160,000 annually in Federal work study moneys, we put over $800,000 of common wealth funds into a State employment program on campus where I predominantly issue the jobs based on need just like work-study. Our budget exceeds $1 million, 25 percent of our student body work, they earn about $1,400 yearly.

Mr. FORD. What kind of jobs do they do?

Mr. BRANDT. Pardon me?

Mr. FORD. What kind of jobs do they do?

Mr. BRANDT. On our campus we have 80 operating units that hire students and the largest hirers are for clerical support, administrative support, maintenance, athletic department support, we have a Disabled Student Service Program that's quite extreme with the chief of student employees.

The library, you name it, they do it and I will say this that part of an education is to learn the work incentive. If President Reagan thinks you're at a country club for 4 years in college, he's wrong at Edinboro, you're in class 15 to 18 hours, you're in your work-study job 15 to 18 hours on average, you have your evenings and weekends in the library to study and if you go in the summertime in the summer off campus work-study program and work at a nonprofit agency and make $2,000 and you work $1,400 worth on campus during the school year, that's $3,400 you didn't have to borrow to go to that year of college and I have a large component of work and in my packaging sequence the first $1,400 in residual need, you get a job first at Edinboro.

Mr. GAYDOS. I feel the same way as you but it always perplexes me that if a person is frugal and if he doesn't go down to spend—blow his dough in a beer garden and puts it in the bank, we have a lot of problems with him, his financial statement as our good friend Cathie from Carnegie-Mellon has indicated they scrutinize all their assets, you know and so I bring it up maybe just as a minor type of intellectual discussion or something along those lines, I firmly believe, I don't worry too much about community college, who goes to community college because you're not going to find anybody going to community college if he's born into a Mellon clan or what have you because he's not going to go there.

I worry about the kid that goes to community college so he can go ahead and take his credits with him and be acceptable to move

someplace else, that's who I worry about. I don't worry about whether or not who's going to go and what's the concept of the educational institution caters to, I just want to make sure that education or that— those credits that he bundles in his bag to go take to Harvard or someplace else are credible, transferable and acceptable along with other types of institution, that's what I worry about myself. So along with the work-study if that's your cause, I just wanted to know because we're having more and more people bringing up the fact that why should someone be penalized having to work and then he gets cheated out of some portion of his education, some portion whether it's extracurricular or technical education.

Mr. BRANDT. We have more students that want to work than we have jobs available.

Mr. GAYDOS. Is that right?

Mr. BRANDT. Yes, sir.

Mr. GAYDOS. It's good to hear. My faith is reinstituted in our society and the work ethic concept.

Mr. FORD. Of course it's interesting to get the reaction when you talk to people in institutions. What you've just suggested to me is that you get a million dollar operating subsidy for the institution through these wages that are paid to people who do jobs you'd otherwise have to hire somebody to do. That's a valuable asset to the school and I don't quarrel with any of the things you said about working. I worked all of the time when I went to school and I want to tell you it's a bummer, that's not the way to go to college. I bragged about it so much that when my son went to law school he refused to take living money from me and worked 20 hours a week in a law clerk's job because he told me very bluntly to my face that he heard me brag about working my way through school for so long while he was growing up that he wanted to prove that he was as good as I was. I'm very proud of that but it's still not the best way to do it and I have noticed over the years that while we refer to work-study as student aid always in these programs, they really are institutional aid and as a matter of fact, there's an interesting twist in that. The current Office of Management and Budget has tried to increase work-study at the expense of other programs more then we've been willing to do it; we haven't been willing to take money from other programs and put it in work study because they like the ideas that you've just dispoused about learning the ethic of work and so on and that sounds good.

The institutions on the other hand will come in and support the devil out of that at appropriation time because they like the idea of this indirect institutional aid that they're getting and I don't quarrel with the motivation of either side of that argument but college work study, which I helped create as a matter of fact, has enough problems without us trying to put too much emphasis on it.

The next step comes when you have people from private business who come in and say why don't you let the work-study students work for us and we'll take the subsidy and we'll provide a job for it. The institution wouldn't like that and we say well, what you do is hook up with an institution that has cooperative education and you can work that out.

As you know not very many of our institutions have engaged very broadly in cooperative education. The most outstanding one in the country is Northeastern University in Boston where 90 percent of that student population works while they're in school. They have an outstanding engineering school, outstanding law school, and a very fine college and university, pure blue collar, hard-working people, achievers. That works but it's co-op education and it's private employers that provide the jobs that are related to what they're studying in school. They've been at it for 75 years so there's a great deal of private employer confidence in the program and it makes it easy for them. It's very hard for you to go out and get private employers to make much of a deal with you that will guarantee that the student you're sending them is going to be working in a field that compliments what they're trying to study in school. But college work-study shouldn't get confused with that sort of an idea. College work-study originally, interestingly enough, in the 1960's was conceived of as the program for the poor student whose family didn't have an extra couple bucks to help them get something to eat and what we have found over the years is that the middle-class student is participating to a much higher degree then the full Pell grant recipient is participating. Given the choice, the student will opt for the grant and absent that choice with the limitations we put on the size of the grant we give in the upper income ranges of Pell, if you check your own, I think you might find that you've got more of the minimum grant recipients on Pell on your Work Study Program then you have in the maximum grant participants even though the Pell grant has now lost so much of its purchasing power.

And I thank you very much for your assistance and particularly, Mr. Brugel for these little charts you gave us. This is the first time anybody—I went to college at a time we had to understand everything by pies and you had to get little pieces of pie and these two pies you have for school year 1980, 1981 and 1984, 1985 are very fascinating because they fly in the face of what's being circulated out there by people who are saying that family support is diminishing as a result of Federal aid.

When you look at the comparison in your 1980, 1981 year, 9 percent of the pie was coming from grants but by 1984, 1985 only 7 percent was coming from grants and in 1981 the family contribution, 58 percent had gone up to 65. The family is taking over a little bit more of the load in 1984, 1985 then they did in 1981. Employment went up from 5 to 8 percent. So between the student and their family, they clearly are making the choices that are shifting more and more of the burden to them. We will use this chart, believe me, over and over and I think that Dr. Wolanin will like to get a hold of you for the back up material because surely Stockman's people will question us when we give it to them over there.

Dr. BRUGEL. Thank you very much for your time.

Mr. FORD. David's leaving us but he's leaving behind his henchmen so we'll continue with the battle.

Now the next panel will be Mr. Charles Lang of Pittsburgh National Bank, Susan Pettigrew, education specialist, the Urban League of Pittsburgh, Dr. Robert Comfort, associate dean of the college of general studies at the University of Pittsburgh. If I could

ask you, it's my fault, I've indulged myself far more then I should this morning because I find what we've been hearing both interesting and sometimes provocative but we are running into a tough time constraint on getting airplanes out of here and I will ask you to summarize your statements if you would. We'll try to restrain ourselves on the questions as best we can. Your prepared material will be inserted in full in the record.

Mr. GAYDOS. I so move, Mr. Chairman.

Mr. FORD. And, Susan, you want to start.

Ms. PETTIGREW. Of course.

STATEMENT OF SUSAN PETTIGREW, EDUCATION SPECIALIST, URBAN LEAGUE OF PITTSBURGH

Ms. PETTIGREW. Thank you so much, Mr. Chairman, Representative Gaydos for inviting us to testify today.

Mr. FORD. Would you pull a mike up closer.

Ms. PETTIGREW. My name is Susan Pettigrew and I am representing the Urban League of Pittsburgh before you this morning. I will summarize my remarks given, we are short on time.

In the 5 years since the last reauthorization of the Higher Education Act, our western Pennsylvania region as Representative Gaydos has noted has experienced a dramatic and unsettling increase in the numbers of dislocated workers, displaced homemakers and the working poor. We are seeing the fathers, grandfathers, and uncles of the young men and women referred to by Representative Cowell earlier today and the nontraditional women mentioned by Dr. Stafford.

Our agency has provided higher education and financial aid counseling services to well over 4,000 people during that period and title IV programs have enabled those mentioned above as well as recent high school graduates to look to the future with some degree of hope. We therefore obviously endorse the reauthorization of title IV of the Higher Education Act with the suggestions very briefly, the Guaranteed Student Loan Program to eliminate the 5 percent origination fee, to increase the guaranteed student loan annual undergraduate maximum to $3,000 and the aggregate maximum to $15,000, to impose the financial needs test only on students whose family adjusted gross income are above $40,000, to continue the campus based programs, the national direct student loan, the appropriation of new Federal capital contributions and return to the 9-month repayment grace period in that loan period, to continue to separate the college work study and supplemental educational opportunity grant programs.

We would echo the financial aid officers suggestion that increase funding be awarded to the College Work Study Program and to continue the Pell grant programs with an increased adjusted gross income eligibility up to $30,000.

Our clients have been faced over the past several years with being punished for having moved up into the so-called middle class or for having lived the American dream over the past 10 to 20 years. I can no longer discuss a variety of school options with needy or federally defined middle-income students unless they are exceptionally academically or athletically talented.

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We need in this country a larger pull of talent then can be provided only by those whose families can pay their way through undergraduate and graduate training. Since their inception, title IV programs have enabled students to pursue postsecondary education, many western Pennsylvania residents are faced with the need for career change, a catch word—retraining—at a time in their lives when they had hoped to be settled while others are fresh out of high school looking to become newly productive working citizens. For both groups, access to higher education is critical and if as a nation we do not want to create a permanent underclass, we must continue the funding of title IV programs. Thank you.

[Prepared statement of Susan D. Pettigrew follows:]

PREPARED STATEMENT OF SUSAN DOWNS PETTIGREW, URBAN LEAGUE OF PITTSBURGH

My name is Susan Pettigrew and I am before you today representing the Urban League of Pittsburgh and our constituents. As you may know, the Urban League is an interracial social service agency that, for sixty-seven years in Pittsburgh and nearly three-quarters of a century as part of a national organization, has sought equal opportunity for poor people and minorities in those areas basic to human life: employment, education, housing, health and welfare. The primary mission of the League is to reduce the artificial barriers of race for blacks and other minorities of all economic levels and to provide social service assistance to low-income people of all races by utilizing the professional skills of its staff and volunteers. The ultimate goal of the League is to enable, through this assistance, its clients to become more self-reliant and full and equal participants in American society.

Organized in 1918, the Urban League of Pittsburgh is today one of the strongest of the National Urban League's 112 affiliates. Throughout its history, the Pittsburgh Leauge has been an effective agent for promoting equal opportunity and equal access to employment in many non-traditional minority career fields, in public accommodations, and in housing, education, and health services. Today, it provides direct services annually to more than 10,000 clients in the areas of employment and training, housing, education, health, and welfare.

In the five (5) years since the last reauthorization of the Higher Education Act our Western Pennsylvania region has experienced a dramatic and unsettling increase in the numbers of "dislocated workers", "displaced homemakers" and "working poor". The Urban League has provided higher education/financial aid counseling services to well over 4,000 people during that period; and Title IV programs have enabled those mentioned above as well as recent high school graduates to look to the future with some degree of hope.

We, therefore, endorse the reauthorization of Title IV of the Higher Education Act. While drafting my remarks, I attempted to remain congnizant of the fact that Financial Aid officers would be testifying and addressing specific aid programs. We must also bring to your attention, on behalf of our constituents, our recommendations regarding Guaranteed Student Loans, campus based programs and the Pell grant program. These ideas are based on our most current knowledge of the demonstration's budget proposals.

Guaranteed Student Loan program: (1) Eliminate origination fee—It has served its purpose and its continuation will only penalize students faced with ever increasing tuition costs. (2) Increase GSL annual undergraduate maximum to $3,000 and aggregate maximum to $15,000. (3) Impose a financial need test only on students whose family adjusted gross income are above $40,000. "Middle income" student must have continued access to this program. The PLUS program is not, and will not be a viable alternative for these students.

Campus Based Programs: (1) National District Student Loans—Continued appropriating new Federal capital contributions and return to a nine-month repayment grace period. (2) Continue to separate the college work-study and Supplemental Education Opportunity Grant programs.

Pell Grants: (1) Continue funding at or above the fiscal year 1985 level, for an individual maximum of $2,100 per year. (2) Increase adjusted gross income eligibility to $30,000. (3) Do not tie a "self-help" requirement into Pell Grant eligibility.

We are opposed to the concept of a maximum combined grant amount, as well as a self help amount in addition to the family contribution. Our clients have been faced, over the past several years, with being punished for moving upward into the

so called "middle class". I can no longer discuss a variety of school options with needy or federally defined middle income students unless they are exceptionally academically talented. Our students do accept the responsibility in incurring indebtedness and working while in school, but the notion of working your way through school applies only to those in our area attending a community college.

Since their inception, Title IV programs have enabled students to pursue postsecondary education. Many Western Pennsylvania residents are faced with the need for career change (retraining) at a time in their lives when they hoped to be "settled"; while others are fresh out of high school—looking to become newly productive working citizens. For both groups access to higher education is critical if, as a nation, we do not want to create a permanent underclass.

Mr. FORD. Thank you. Dr. Comfort.

STATEMENT OF DR. ROBERT W. COMFORT, ASSOCIATE DEAN, COLLEGE OF GENERAL STUDIES, UNIVERSITY OF PITTSBURGH

Dr. COMFORT. Thank you, Mr. Chairman. My name is Bob Comfort, I'm the associate dean of the college of general studies at the University of Pittsburgh and this is Pitts evening college. I also represent the National University Continuing Education Association.

I came today not to talk about a learning society or regaluous statistics about the number of part-time and full-time students. I really want to talk about the people involved and I want to focus on title IV and the part-time student. I administer a program of over 6,000 part-time students who are seeking a baccalaureate degree. They come in the evening sometimes sitting from 5 consecutive hours of class, on Saturdays 4, 5, 7, 10, 12 years, average age 28, 75 percent employed full time, another 10 percent part time. They make tremendous sacrifices to acquire a baccalaureate degree.

Title IV is critical for these students in terms of the achievement of their life and educational goals. For these students, you can't separate the two. Our studies have shown, national studies have shown the principle reason that these students attend, make the kinds of sacrifices for all the years that they do is for a vocational enhancement. They are anxious to move from the ranks of the unemployed and underemployed and certainly both you two gentlemen can appreciate that plate that so many of our citizens find themselves in today.

These are unique individuals, a rare breed, the sacrifices they make are tremendous. They complain when in fact we let them out of class 15 minutes early or give the final a week before its scheduled, they pay from their own pocket and they expect a quality education and the same kind of commitment from the instructor that they entered the classroom with. And that's one of purpose and motivation.

Now Congress has made some strides to help the part-time student but they still have problems. I really get upset when a student tells me that she had to drop out of school because she didn't have $25 for books or the single parent who with two small children will not go to school more then 1 night a week, will not be away from those students more then 1 night a week, this individual was a secretary and took all of her meager earnings to support her two children and herself, had to drop out, a brilliant student but was not

eligible for any aid because she could only and would only attend one night a week making her less than half-time.

There's still some problems even with the strides that have been made for the part-time student and I have several recommendations, I brought them with me and they have not been distributed to you before the session this morning, I hope they will be shortly thereafter.

One is to treat the part-time student equitably as the full-time student is treated and this is particularly in concern or directed to the amount of money they're expected to contribute to their education. I ask that the Secretary of Education be directed to immediately implement the Pell grant family contribution schedule that was included in the educational amendments of 1980 but which never has been enacted. These students do not have the same kinds of funds that the dependent student has, they're younger, they're earlier in their careers and just do not have the same kind of income.

I recommend that House bill 7211 be supported but with two amendments. One of those amendments is to provide financial aid assistance, Pell grants and guaranteed student loans for those students who attend less than half-time. In particular one quarter time attendance. That one student I cited could take advantage of this but there are many other returning adults 30, 35 years old who do not know what their own capabilities are, are afraid to commit themselves too extensively because of work and family pressures that should start with one course, not two courses. By starting with two courses, the probability of failure because of pressures from the home and the job and not because of ability are very great.

So, enable those to start and then move later into more than one quarter time.

And my final suggestion for an amendment to House bill 7211 is to establish guidelines so that colleges and universities are required to distribute 15 percent of SEOG and NDSL funds to the independent part-time students. These funds do not trickle down to the part-time student. My institution is no exception. My colleagues across the country tell me that these funds are not made available to the part-time student. It's a rare breed, a committed student, a student who goes to class with purpose and I can assure you that the degree and the education these students receive are tremendously important to them, that they do need more aid than is being provided today.

Thank you for this opportunity.

[Prepared statement of Dr. Robert Comfort follows:]

PREPARED STATEMENT OF ROBERT W. COMFORT, ASSOCIATE DEAN, COLLEGE OF GENERAL STUDIES, UNIVERSITY OF PITTSBURGH

My name is Robert W. Comfort, and I am Associate Dean, College of General Studies, the Univeristy of Pittsburgh's evening college. I also represent the National University Continuing Education Association.

I appreciate the opportun y to talk to you about a very important part of the Higher Education Act, and that is Title IV. This legislation and its reauthorization are extremely critical to the educational and life goals of many, many citizens of our community. I speak of educational and life goals together, because for the students aided by Title IV the two are inseparable. They attend college several eve-

nings a week or on Saturdays for six, eight, or even as many as twelve years to acquire a baccalaureate degree to improve their life situation. I am referring, of course, to the part-time student who sees a college degree as the key to the future. That future may be no different than the eighteen year old who just graduated from high school and is attending college full-time, but the starting point to that same end is very, very different. Entering college at age twenty-six, thirty-six or older adds purpose and meaning to the experience and resulting degree.

I will not regale you with statistics about a "learning society" and the changing age of our population. Nor will I quote national statistics about the number of part-time and full-time students. You, I am sure, have heard these figures time and time again. I want to talk about the people who are affected by Title IV, the part-time students. These individuals are very near and dear to me. I was one of them many years before being employed by the University. As a struggling young manager with a Pennsylvania utility, I spent five, hard years acquiring a degree while working full-time, remaining active in community affairs, and raising a family. During that time three of our four children were born. My story is not atypical. In fact, it is very typical. I see and talk to these students every day. As Associate Dean of the College of General Studies, I am responsible for the academic and student support programs serving 6500 students who are seeking a bachelor's degree on a part-time basis. Seventy-five percent work full time outside the home, and another ten percent have part-time jobs. Five percent are home bound. They make tremendous sacrificte financially and socially to realize their dreams. As I talk with them, I am continuously reminded of my days as a part-time student, and, quite honestly, I do not want to undergo those experiences again.

The former Telly Savalas television series, Kojak, talked about the ten million stories in New York City. Each of our students is a story. All are alike but each is different. No two situations are the same. Their stories can bring the warmth of joy to your heart or tears of sadness to your eyes. I am not being overly melodramatic. Their commitment to that goal, the degree, warrants nothing but admiration, because what they endure is great. I get extremely upset when a student tells me that she had to drop out because she did not have $25 for books. A single parent with two school-age children relates quite sadly that she cannot continue beause she will not be away from her children more than one night a week, her salary as a secretary does not stretch beyond household expenses to tuition, and no aid or loans are available to her since she can attend only one course per semester. These are real cases. Both are superior students. This is a tragic loss for them and our community.

Western Pennsylvania as much or more than any other section, of our country needs assistance to enable the many, many able individuals to develop their intellectual abilities and move out of the ranks of the unemployed or underemployed. The baccalaureate degree for many older, part-time students is a form of job training. Study after study of this group validates the major purpsoe for which most attend—to advance vocationally. And, job training is what this section of the country needs.

The Congress in the past has taken very positive steps to help the part-time student, and that help is greatly appreciated. Unfortunately, serious problems still exist for them. Motivation to succeed is not one of those problems. It is present. Senior faculty continue to rave about the energy and commitment to learning of the older, part-time student. Inability to receive the needed assistance, financial and informational, is the problem. They remain second class citizens.

For many part-time students the only aid available is from the federal government through Pell Grants and Guaranteed Student Loans. At last count only twenty-one or so states offered grants to less than full-time students. Hopefully, Pennsylvania will make that number twenty-two in a month or two, but that still leaves over one-half of the states who ignore the part-time student. States should be "encouraged" to contribute to the intellectual development of all their qualified college students.

Adult, independent students with children are required to contribute more to their own college expenses than the family with children in college. A provision in the 1980 legislation established equitable treatment for independent students with children, but it was never implemented. Independent students with children do not have more disposable income than families with college age children, and, in fact, have less since they are usually younger and earn a lower salary.

SEOG, Work Study, and NDSL funds are currently available for part-time students; the first two sources for those attending less than one-half time and the latter requiring at least half time attendance. Unfortunately, these monies rarely reach the part-time student. Central university admission and financial aid offices normally do not process the part-timers who are admitted through a continuing education unit, and consequently, ignore this group of students when dispensing aid.

This is true not only at my university but is common across the country as continuously confirmed by my counterparts at other colleges and universities. The problem is not that of Congress; it is local. We in Pitt's College of General Studies intend to begin to fight for these monies within our own institution. We have just added a full-time financial aid advisor to our staff, and part of her job will be to see that our students are treated equitably by the University. However, many of my counterparts are not as fortunate. Their students will continue to be ignored. Colleges and universities must be "encourated" to make SEOG, Work Study, and NDSL funds a priority for part-time students.

The eligibility limit for Pell Grants and GSL's of a minimum of six credits creates problems for a number of our students. Enrolling in more than one course per semester causes family pressure which often result in discontinuance of attendance. The twenty-eight year old woman with a husband and children will not want to initially commit herself beyond one course. Or, the thirty year old who has never attended college may be intimidated by the thought of more than one course a semester. Both of these students should start college by taking only one course and do so for several semesters until their home/work schedules and confidence permit a heavier course load, which they will eventually have to undertake in order to have a reasonable chance to graduate. However, they are prevented from even starting college, "testing the waters" so to speak to determine whether they can do it, because these two aid programs require at least one-half time attendance. Taking more than one course initially for these two students would be a mistake. Unfortunately, they are snarled in the classic "Catch 22."

The one final problem I want to mention today is inadequate information about financial aid for the part-time student. My perception from numerous conversations with these students is that they assume no aid is available for them. Since most of them work, they believe that they are ineligible, and colleges and universities do not advertise the existence of monies for them. Very often, I am afraid, the assumption is made that they all have access to employer tuition aid plans and do not need other financial aid. Not so! A recent study by us indicated that only a third of our students receive aid from their employers. Other studies have demonstrated that nationally much smaller numbers participate in employer tuition aid plans. Just last week we spoke with student who had accumulated twenty credits with all A's but was on the verge of dropping out. A high school dropout who later earned a high school equivalency degree, this individual could not afford to both raise a family and attend college. Her husband was unemployed more often than not. She has a natural talent for foreign languages and wants to be an interpreter. When exposed to the possibility of applying for grants, she was literally shocked that she could be eligible. She had assumed that loans were available but would not consider them since the family was already heavily in debt. Our new financial aid advisor will have as one of her primary responsibilities to better inform our existing students about available aid. Unfortunately, part-timers in other regions will not be so fortunate. I do not have here today specific suggestions about how to improve the information flow. I do feel strongly, though, that much, much more has to be done to let them know that they have the same opportunities as the student who is fortunate enough to attend full-time.

These students are special, very special. They are employed all day, come to class in the evening sometimes taking two classes a night for five consecutive hours, maintain a home and family, and participate in community affairs. They are a rare breed. I cannot, and I suggest you cannot either, work with these students without quickly becoming committed to their cause. They are a valuable human resource for our region and country and deserve the same opportunity to develop their intellectual abilities as the student who can attend full-time.

RECOMMENDATIONS--ROBERT W. COMFORT, ASSOCIATE DEAN, COLLEGE OF GENERAL STUDIES, UNIVERSITY OF PITTSBURGH, AND THE NATIONAL UNIVERSITY CONTINUING EDUCATION ASSOCIATION

1. Extend Title IV of the Higher Education Act with at least current funding and give consideration to an annual cost of living adjustment.

2. Treat the part-time, independent student equitably by directing the Secretary of Education to begin using immediately the Pell Grant Family Contribution Schedule as provided in the Education Amendments of 1980.

3. Amend H.R. 2711 to incorporate the following items and support this legislation:

a. Permit financial aid assistance, particularly Pell Grants and Guaranteed Student Loans, for those who can attend only one-quarter time.

b. Establish guidelines to be used by colleges and universities which requre that an allocation of at least 15% of SEOG and NDSL funds be distributed to part-time, independent students.

Mr. FORD. Mr. Lang.

STATEMENT OF CHARLES W. LANG, VICE PRESIDENT, PITTSBURGH NATIONAL BANK

Mr. LANG. Chairman Ford, Representative Gaydos, and Mr. Wolanin, I'd like to thank you for the opportunity to testify today on the future of the guaranteed student loan program on behalf of the Consumer Bankers Association of my institution.

I am Chuck Lang, vice president of Pittsburgh National Bank. Along with me today I also brought James Patrick Hayes who is assistant vice president, manager of the PNC Education Loan Center, with the idea in mind that if we had technical questions, he'd be able to help me out. It would appear that with your time constraints, that won't be necessary, but I thought I should introduce him anyway.

In any case, I'm going to try to be very brief so that you may make your plane connections.

I think it's important that I stop for a second and give you an idea of what our bank is about because it will have a bearing on the testimony. PNC now owns banks located, as stated, in Pittsburgh, Erie, Scranton, Philadelphia, and Wilmington, DE, and in the future we'll be bringing home one in Harrisburg, and after that, I'm sure others also.

In any case, one of the benefits of going through a consolidation of that type and acquiring banks and being a multi-bank-holding company is to be able to consolidate a function such as a student loan department and operate it effectively. We have begun to do that in that we have consolidated the two largest member banks, the Provident Bank and Pittsburgh National, and in doing so, it places us now in Pennsylvania as being the single largest student loan provider of loans in Pennsylvania and in the top 20 nationally with just those two banks; as we bring the others in, naturally it will get larger.

PNC, those two banks again—not the others, as we have yet to consolidate them—we have committed $397 million in our resources totally since 1964, which was the inception of the program. Fifty-five percent of that we estimate has been to students in the Pittsburgh area. Our average loan size is $2,200 and we make loans as small as $100 which I understand some institutions don't go down quite that low.

The average indebtedness of the student we find in our bank is approximately $6,300 at graduation. In recent months, the administration has put forth the series of legislative proposals to reduce some of the costs of the GSL Program and we support those efforts; however, the specific legislative proposals put forward do fundamentally alter the nature of the program by virtually eliminating some of the incentives for some of the lenders and that was part of the reason why I took the time to talk a little bit about our bank because we feel the two items I'm going to talk about now, if they're altered, are going to impact some lenders, not necessarily PNC, but perhaps some of the smaller lenders who don't have the

wherewithal nor the capital to vest in upgrading and providing software systems and the manpower to completely automate such as we have done.

In any case, it should be noted that these two issues, which are special allowance and multiple disbursement, are closer related since the Federal subsidies which support the guarantee student loan program operate to offset expenses associated with making capital available. In turn, one of the most significant expenses is the loan origination process requiring multi-disbursement of loans, therefore effectively would reduce that.

I might add that we have been multiple disbursing at PNB for 2 years now, primarily as a result of having spent the money to implement a fully automated system that does that for us. It's not nearly as work-intensive as it would be for a small institution that might have to go through the manual calculation of the two checks, and so forth.

In approaching the issue of subsidies, it's important to note that Federal subsidy paid on GSL an essential part of the program. Without those subsidies, lenders could not make capital available, as I said, to student borrowers at a fable rate of interest authorized for GSL's; thus the primary beneficiary, the subsidy, the GSL has to be the student.

The in-school interest subsidy and the special loans both correspond to an interest rate which the borrower would otherwise be required to pay in order for lender to make a GSL; in effect, if he had to borrow a typical consumer loan, it would be at that type of a rate.

A third subsidy in the GSL Program is the Federal guarantee on the GSL's made available through the State guarantee agencies and other guarantee entities. I'm not going to discuss this area except to say that without the Federal reinsurance, the true interest rate of the GSL, as I said, would be considerably higher then the current rate on GSL's which is 3.5 over the 91-day T-bill, as you know.

In the recent months, the administration has challenged the basic assumption that existing subsidies in the GSL Program correspond to the costs incurred by lenders in making loan capital available to students. They have suggested that the total return to lenders exceeds the amount necessary to encourage them to participate in a program. They have taken a position the special allowance can be reduced substantially without jeopardizing the availability of loan capital to students.

The CBA has already rebutted these assumptions in testimony—I believe it was in St. Louis before this subcommittee—or perhaps on the whole, I would incorporate that testimony in my remarks in the interest of brevity.

Going back to PNC, as I said, you see a statewide operation that is fully automated that we believe is beginning to approach a state-of-the-art operation where, in fact, our entire run process is done almost 100 percent by mail. We very rarely even see a student in the operation. As a matter of fact we'd rather not. We think that we can handle this transaction almost totally by mail and handle it effectively and provide the moneys in the most efficient matter possible. If you go away from that and get into the operation that we

had not just 4 years ago where the students used to come in for the checks and wait and pressure the employees they needed their checks now, it was a total manual function but the work intensity of an operation of that type makes it very difficult for any learning institution, as I say, to want to continue that type of an operation specifically if the purpose or some of the subsidy is reduced which is a part of the reason why they can continue in operation.

That kind of goes along with some of the written comments of cutting present level of Federal involvement, constitutes a disincentive for others to undertake the costly arduous task of building similar efficient high-volume computer-driven programs; the smaller institutions I believe that would either force them out of the business or it could open a door for service agencies, you might find larger banks like ourselves offering packages to handle this more smaller banks, whether or not that would be cost-effective for them I don't know. Therefore, I do sincerely believe that reduction and a special allowance will lead to many lenders dropping out of the program or in reducing the amount of capital that they will invest in. They will invest in other more profitably consumer loans that provide a better return for their stock.

The implications for Pennsylvania could be even more drastic given the fact that we are going through and experiencing a rocky transition from the manufacturing service base but Representative Gaydos already touched on that and some other people here too so I won't go into that.

The subject of debt burden really is not before us today but I would comment on the related proposal which would reduce or eliminate in-school interest subsidy, it's been proposed occasionally the interest due on GSL's be accrued and compounded on GSL's so that the student rather then the Federal Government ultimately bears the cost of the student loans during the in-school period.

The result of this type of proposal to eliminate the in-school interest subsidy will be to significantly increase the amount of total indebtedness students face upon graduation. The increase of indebtedness would have a very detrimental impact on both the default rate and on students personal educational plans. For these reasons, we believe such proposals should be rejected.

If we had more time I could offer some specific experience on that that Mr. Hayes and I conducted a survey university where we actually saw students altering their careers to higher income levels as a result of the debts they had incurred through borrowings, it had had an impact on what they actually chose as their careers purely for the sake of being able to make more money to pay off the debts.

So, as your subcommittee faces a question of subsidies in a program, three choices are before you, cut the special allowance thereby reducing the return to lenders without raising the interest rate paid by the students. This option I assure you results in lenders dropping out of the program and direct ratio to the depth of the special cut adopted.

Two, cut or reduce the in-school interest subsidy by raising the students' interest rate or cut the special allowance and increase the students' interest rate to maintain the return to lenders or reducing the Federal cost of the program. This option destroys the

students educational plans, unintentionally increases the default rate and within short order, leads directly to the closing of hundreds of colleges and universities.

Three, maintain the current structure of the program including the subsidies on loans. This option represents the road taken since 1979. Since that year student access to loan capital has increased almost on an annual basis to the point where we're close to being able to say that every eligible student can be sure of finding a lender. CBA respectfully submits that this alternative best serves Federal postsecondary educational policy. In other words, if it's not broke, don't fix it.

CBA has endorsed multiple disbursement as a rationale. Effective means of reducing losses and program resulting from students enrolled in college collect their GSL but drop out, we all know what that means, if you borrow $2,500 you only get $1,250 the first semester you get the second part the second semester.

The concern with multiple disbursement from a lender standpoint is that it does require some deficiencies in the effective operation of the student loan department verifying enrollment status as an example and issuing—mailing at least an additional check perhaps more.

It has been suggested that the additional requirements increase the cost by about 20 basis points. CBA has endorsed multiple disbursement as a part of its recommendation submitted to you, Chairman Ford on April 30, coupling this change with a reduction in special allowance however could have a devastating effect on the lenders by raising their effective cost of doing business.

We therefore urge that the subcommittee carefully consider an acting multiple disbursement but to be sensitive to the fact that it is going to be costly to the lenders to place it in effect.

I would like to touch briefly on some other proposals at the CBA and Pittsburgh National is also sponsoring. One thing we would like to propose is that we do be given the time unlike 1981 when the changes that were made were enacted almost immediately, it caused a considerable amount of effort on the part of the lenders and the schools I'm sure is that they give us at least 180 days to react to whatever the changes may be so that we have time to put it into effect.

The few proposals that I would like to mention is first to extend the repayment grace period, after this student graduates, this might cut down on the default rate and give the student a little more time to get out into the marketplace and find a job. Oftentimes we find the students go into default before they've gotten employment, they do find a job and then we get the loan back and start to process all over again. A second beneficial administrative change would be to require that the lenders report the existence of a GSL to credit bureaus at the time the loan enters repayment, by doing this, there's a record of the students borrowing if he should be of a mind to go out and borrow at other institutions and they pull up a credit bureau, it's going to show the student loan, his total indebtedness whereas right now it doesn't necessarily do that.

An additional recommendation would be the expansion of the guarantee agency and lender access to data basis such as Social Se-

curity and Internal Revenue to help us do our collection job, it gives us better information to perform the due diligence effort.

Finally, we recommend the reestablishment of the loan consolidation program which gives us the ability to do our job as lenders in providing a repayment package that is best for the student to be able to—if he can handle that debt burden over with the income and over a period that makes it efficient for him to meet his budget and once again, I'd like to thank you for letting me come and testify and have the opportunity.

[Prepared statement of Charles Lang follows:]

PREPARED STATEMENT OF CHARLES W. LANG, VICE PRESIDENT, PITTSBURGH NATIONAL BANK

Chairman Ford, Representative Gaydos and Mr. Wolanin and Members of the Subcommittee on Postsecondary Education. Thank you for the opportunity to testify today on the future of the Guaranteed Student Loan Program on behalf of the Consumer Bankers Association (CBA) and my institution. I am Chuck Lang, Vice President of Pittsburgh National Bank. I am accompanied today by J. Patrick Hayes, Assistant Vice President and Manager of our education loan center.

Although my testimony today reflects the views of CBA, I would like to briefly describe my institution to you. Pittsburgh National is one of five bank subsidiaries of PNC Financial Corp (PNC). PNC owns banks located in Pittsburgh, Erie, Scranton, Philadelphia and Wilmington, Delaware. One of the ultimate results of the affiliation of these subsidiaries will be the consolidation of their student lending activities. My remarks today will refer, therefore, to a PNC program of student lending that effectively blankets the State of Pennsylvania.

The combined PNC operation makes us the largest lender in the Guaranteed Student Loan Program in Pennsylvania, and places us within the top 20 nationally. In total, PNC has committed over $397 million of our resources to making GSLs since the inception of the program in 1964. Of this amount, approximately 55% percent has been lent to students in the immediate vicinity of Pittsburgh. The students served under our program include students attending every category of postsecondary institution. Our average loan size is approximately $2200 and our small loan policy permits loans for as little as $100. The average loan indebtedness of our borrowers at the time of graduation is about $6300.

In recent months, the Administration has put forward a series of legislative proposals designed to reduce the costs of the GSL program. We support efforts to reduce the budget deficit. The specific legislative proposals put forward by the Administration, however, fundamentally alter the nature of the program by virtually eliminating incentives for many lenders to invest their depositors' capital in GSLs.

On behalf of CBA, I would like to focus briefly on two of the proposals that most directly affect lenders. The first relates to the special allowance paid by the federal government on GSLs. The second concerns the issue of multiple disbursement of loans.

It should be noted that these two issues are closely related since the federal subsidies which support the Guaranteed Student Loan program operate to offset the expenses associated with making loan capital available. In turn, one of the most significant expenses involved in making GSLs is the loan origination process. Requiring the multiple disbursement of loans, therefore, effectively reduces the subsidy in the program.

SUBSIDIES

In approaching the issue of subsidies, it is important to note that the federal subsidy paid on GSLs is an essential part of the program. Without these subsidies, lenders could not make capital available to student borrowers at the favorable rates of interest authorized for GSLs. Thus, the primary beneficiary of the subsidies in the GSL program is the student. The in-school interest subsidy and the special allowance both correspond to interest which the borrower would otherwise be required to pay in order to find a lender willing to make a GSL.

A third subsidy in the GSL program is the federal guarantee on GSLs made available through the State Guaranty Agencies and other guaranty entities. I will not discuss this area except to say that, without federal reinsurance, the true interest

rate of GSLs would be considerably higher than the current rate on GSLs, which is 3.5 percent over the 91-day Treasury bill.

In recent months, the Administration has challenged the basic assumption that the existing subsidies in the GSL program correspond to the costs incurred by lenders in making loan capital available to students. They have suggested that the total return to lenders on GSLs exceeds the amount necessary to encourage them to participate in the program. They have taken the position that the special allowance can be reduced substantially without jeopardizing the availability of loan capital to students.

CBA has already rebuted these assumptions in testimony before this Subcommittee and I would incorporate that testimony in my remarks today in the interests of brevity.[1]

In the instance of PNC, you see a state-wide student lending program that approaches a State of the art technical operation. Mr. Hayes and I will be happy to respond in detail with respect to the intricacies and sophistication of the present program as well as the manhours and costs associated in the long-term planning, research and development that necessarily preceded it. What I would emphasize is that such planning, research and development would never have been undertaken in the absence of an assured and stable level of return. Without such planning, research and development, efficient consolidation of the loan programs of the various PNC banks would not be feasible. In short, I would not be before you describing what we believe is one of the major success stories of private sector initiative fostered in no small part by federal postsecondary educational policy.

A cut in the present level of federal involvement will constitute a disincentive for others to undertake the costly and arduous task of building similar efficient, high-volume, computer driven programs. It will especially handicap smaller institutions whose administrative capabilities and loan volumes already cannot support investment in such technical developments. At stake is the ready access to student loan funds which the present level of federal subsidies had helped to insure.

I have no doubt that a reduction in the special allowance will lead to many lenders dropping out of the program, or in reducing the amount of capital they invest in it. They will invest in other, more profitable consumer loan products and pursue less administratively burdensome opportunities. The losers will be the students. It is important to note that under the current program, one is hard pressed to identify a single area of the country where access to student loans is a problem. This is due to the fact that the existing program makes participation for lenders—even the smallest lenders—attractive.

The implications for Pennsylvania should be readily apparent. With the exception of the "money center" institutions in Pittsburgh and Philadelphia, Pennsylvania's GSL lenders tend to be the smaller community banks. Pennsylvania is also a state experiencing a rocky transition from a manufacturing to a service based economy where some form of postsecondary education is almost mandatory. The dislocations in the steel, coal and farming sectors need no elaboration. Many low to moderate income families are situated throughout the state's urban areas as well. Each of these factors underscores the importance to Pennsylvania of the present GSL program. We strongly urge the Subcommittee to resist efforts to reduce the special allowance and thereby limit access to educational funds.

Although the subject of debt burden is not before us today, I would like to comment on a related proposal which would reduce or eliminate the in-school interest subsidy. It has been proposed occasionally that the interest due on GSLs be accrued and compounded on GSLs, so that the student, rather than the federal government, ultimately bears the cost of student loans during the in-school period.

The result of any proposal to eliminate the in-school interest subsidy will be to significantly increase the amount of total indebtedness students face upon graduation. The increase in indebtedness would have a very detrimental impact on both the default rate and on students personal educational plans. For these reasons, we believe such proposals should be rejected.

So, as your Subcommittee faces the question of subsidies in the program, three choices are before you:

(1) Cut the special allowance, thereby reducing the return to lenders, without raising the interest rate paid by the students. This option, I assure you, results in lend-

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[1] Hearings regarding reauthorization of the Higher Education Act before the Subcommittee on Postsecondary Education of the Committee on Education and Labor, U.S. House of Representatives, 99th Cong. 1st Sess. (May 31, 1985 in St. Louis, MO); Id. (June 5, 1985, in Washington, D.C.)

ers dropping out of the program in direct ratio to the depth of the special allowance cut adopted.

(2) Cut or reduce the in-school interest subsidy by raising the student's interest rate, or cut the special allowance and increase the student's interest rate, to maintain the return to lenders while reducing the federal cost of the program. This option destroys students educational plans, unintentionally increases the default rate, and would in short order lead directly to the closing of hundreds of colleges and universities.

(3) Maintain the current structure of the program, including the subsidies on loans. This option represents the road taken since 1979. Since that year, student access to loan capital has increased, almost on an annual basis, to the point where we are close to being able to say that every eligible student can be assured of finding a lender. CBA respectfully submits that this alternative best serves federal postsecondary education policy.

MULTIPLE DISBURSEMENT

CBA has endorsed multiple disbursement as a rational, effective means of reducing losses in the program resulting from students who enroll in college, collect their GSL, but then drop out. Under multiple disbursement, such a student who qualified for a full $2500 GSL, would receive only $1250, with a resulting savings to the federal government. In a trimester or quarterly system, the student would receive a third or quarter of the total amount at the start of each term.

Our concerns about multiple disbursement result from the fact that it is not being considered on Capitol Hill as a single administrative improvement in the program, but rather as part of a comprehensive package of measures designed to reduce the return to lenders on the program. Multiple disbursement is costly to lenders because a number of the administrative steps necessary to originate a loan must be repeated. Verifying the enrollment status of the student and issuing and mailing at least one additional check are two examples.

It is estimated that these additional requirements will increase administrative costs by approximately .20 percent. CBA has endorsed multiple disbursement as part of its recommendations submitted to Chairman Ford on April 30th. Coupling this change with a reduction in the special allowance, however, would have the potentially devastating effect of raising lenders costs substantially.

We, therefore, urge the Subcommittee to carefully consider enacting multiple disbursement, but to be sensitive to the fact that the lender costs associated with this proposal are significant.

Along the same lines, we urge the Subcommittee to provide lenders with an adequate amount of time to prepare for the implementation of any changes to the program. In 1981, legislative changes were enacted with an almost immediate effective date. The result was mass confusion which caused many institutions to stop making loans. We urge the Subcommittee to do everything in its power to assure that the effective date for any changes is at least 180 days after the date of enactment.

I would now like to turn to several other proposals which have been made by CBA to improve the administrative and reduce the federal costs associated with the program.

The first proposal to extend the repayment grace period after the student graduates from the current six months to nine months. What is happening in many instances is that students are unable to find jobs and begin employment in the six month period. Many borrowers thus go unnecessarily into default while an additional three months grace period could give them time to get established and begin repayment. We believe that the small costs associated with enacting this amendment would be more than made up through reductions in default losses.

A second beneficial administrative change would be to require that lenders report the existence of a GSL to credit bureaus at the time that the loan enters repayment. This small step will have a significant impact on defaults by helping to prevent highly indebted GSL borrowers from unwisely takig on additional consumer loan debt.

Similarly, assistance should be provided to lenders who want to establish graduate repayment schedules to help borrowers who are unable to meet their initial repayment obligations.

An additional recommendation would be expansion of guaranty agency and lender access to detabases such as Social Security and the Internal Revenue Service to help improve the tracing of delinquent and defaulted borrowers.

Finally, we would recommend re-establishment of the loan consolidation program. In my opinion, much of the default loss in the GSL program today is occurring from

good-faith borrowers who, in the face of difficult economic circumstances, simply cannot repay their loans. Loan consolidation offers highly indebted borrowers the option of stretching out their loan payments and easing their monthly obligations.

All current entities in the GSL program should be allowed to consolidate the loans of a borrower, if they hold at least one of the loans being consolidated. This would assure the availability of a consolidation program to the borrower. The re-establishment of a viable loan consolidation program should be one of the highest priorities of the Congress as it begins the reauthorization process.

In closing, let me again thank you for the opportunity to participate in these hearings today. Because of the budget deficit and the need to address it, the GSL and other federal student aid programs are under attack. We thank the Subcommittee for taking the time to come out to Pennsylvania and to find out how some of the proposals currently being circulated would effect students who, without the helping hand of federal student aid, would be unable to obtain post-secondary college education. We hope that as the Subcommittee continues its work on the reauthorization that these students will always be your top priority.

I would be happy to respond to any questions the Subcommittee may have.

Mr. FORD. Thank you. You put emphasis on the special allowance three or four places in your testimony. In 1979 and 1980 the American Bankers Association and others convinced me that if we didn't change the special allowance to let it float upward that we weren't going to succeed in the efforts that we went through in the late seventies of bringing banks into the program. And as you've stated someplace else in your testimony, it's now possible to say that there's virtually no place in the United States where you don't have access to a guaranteed student loan, that wasn't true as recently as 5 or 6 years ago.

They convinced me that letting it go up was essential and prior to the change that we made, the total yield could be 12 percent, 7 percent at that time coming from the student and not to exceed 5 percent on top of that. We were in a period of very high T-bill rates and the effect of changing to 3.5 percent over T bill up or down wherever it went was for several years to increase the yield to the banks. Now that has decreased below where it would have been under the old law as a result of the current T-bill rate which is around 7 isn't it? So that in a period such as we're in now where we have at least a temporary relief in the cost of T-bill financing for the Government, it produces a lower yield to the bank but if it goes back, of course you're insulated in the present system against being hurt when it goes back in the other direction.

Now, after doing that we created the National Commission on Student Aid and we contracted with—who did the study for us from Pennsylvania? Wharton School, to do a study of lending and why they made portfolio decisions. Both John Brademas and I, sitting on a commission, were surprised to find that they came to the conclusion that most bankers, (A) didn't know what the special allowance was and (B) weren't effected in deciding how much of their portfolio they were going to dedicate to student loans by the size of the special allowance. Now that may have changed but that bears on the emphasis you put on tinkering with the special allowance as being a discouragement to banks to continue in the program or continue allocating resources to the program.

The administration has advanced and is pressing rather hard for reduction in the special allowance because if you look at the program with now $35 billion currently alive out there, out of $50 billion in loans that we've made all together and you can see where the cost to the Government is, it's not on this year's origination of

loans but it's on the outstanding paper and so you can play around with a 1-percent cut there and get an awful lot of savings on paper. I'm getting the same reaction from other people that I'm getting from you that if you fool with the special allowance it will make a difference. Am I accurate in assuming that indeed it will make a difference but it's more perceptual than real fear that will cause it to do that?

Mr. LANG. Well, I can't speak for other banks, of course, but in our institution I would submit that the special allowance, some multiple disbursement considerations played a very heavy part in our presentation to the bank's steering committee that enabled us to get approval and go out and seek a software package that would permit us then to automate Pat's department from a totally manually—well, semimanually function to a totally online real time function.

It was I think—I'm familiar with the work study and what we realized I guess it was approximately 4 years ago and certainly the realization came about as a result of those of us that were making the subsidized loans when the T-bill rate was up and we had effective yields of 17, 18, 19 percent and that opens a consumer loan banker's eyes in a hurry. And surely we saw that and recognized as a result of the study and looking at the product itself that what we had in effect at the time was a truly variable rate consumer loan program which we didn't have in any of our other product lines in which most bankers are even today still striving to implement, there are many banks today that still don't have an effective variable rate, consumer loan product which is what the GSL program is.

You have that constant spread and I would submit, yes, it would have an effect if they reduce the—it's real I guess was your question, sure it's real, it's not perceived and to what extent it's reduced is going to have the effect or is going to determine how many lenders might choose to leave the program. You could reduce the program somewhat and PNC will stay in a program, I know we will simply because I think we have streamlined our operation to the point that we could stand something of a cut but if it were too drastic we're going to perhaps think about putting our money somewhere else.

Mr. FORD. The small bank still doing it on a ledger would have trouble?

Mr. LANG. Well, that's why I initially felt that but I've read a few comments and talked to some other banks. See, the extremely small bank it may not because that person's man-hours are being paid for anyway and if he's not doing that he's doing something else, it may be the middle bank, the bank that is a little too large to have the luxury of that person that does that type of work. They're somewhat automated, somewhat manual, they need to spend the money but if you take away the potential profit on that product I don't believe they will.

Mr. FORD. Now let's talk about multiple disbursements for a moment. The Consumer Bankers Association has told me that they would favor systemwide multiple disbursements for guaranteed student loans; however, if I understood their proposal it would be that the interest would accrue for the inschool period the same as it

does now and if you make multiple disbursement now the interest begins to accrue at the time of loan origination, not at the time of disbursement.

In computing what we could save in the program, the only way to save any money is if we take the float from the banks on the undisbursed loan proceeds and give it back to us. Surprisingly in the first year, that cost was $45 million to do that because of the dislocation of the academic year with the fiscal year. The result would be that in order to buy this out with your savings, we'd have to have an increased deficit of $45 million in fiscal 1986 which makes the budget people all nervous when you say to them give some more money away now and you'll get some back later.

Now, your testimony seems to indicate that you would contemplate that interest would accrue with disbursal, am I reading it accurately?

Mr. LANG. Currently it accrues with disbursal—no, no, I'm sorry, at the time the loan is made so that we are earning interest on the second portion of those funds even though the funds haven't been advanced.

Mr. FORD. But when you said you were in favor of a multiple disbursement here, you mentioned it as a cost saving device to the Government which presupposes that you have realized that the way we save it is to take away your money that now provides a float for you.

Mr. LANG. You're right. I'm confusing my testimony for the CBA with my own personal experience with the bank.

Mr. FORD. All right, so the CBA did make that fine distinction to me.

Mr. LANG. Yes, they did. Yes, they did.

Mr. FORD. You're not making it?

Mr. LANG. Well, I guess I would say that in all honesty, it probably isn't right that a bank, any bank should really expect to earn interest on money that hasn't been advanced. That was a conclusion of the CBA and I think I agree with that. Currently we have it, it's in place, that's the program, we're living with it. If you take that away——

Mr. FORD. Well even in the first-year budget impact, it obviously doesn't cost the $45 million but it shows up that way because of the way that the budget numbers pop up.

Mr. LANG. Right.

Mr. FORD. Mainly because you have the loan origination fee all coming in the wrong fiscal year and for 1986 you didn't get any credit for it. Even though it has that kind of cost, multiple disbursement has another whole set of things that commend it in studying loan defaults, we find that there's a direct correlation to how much college you finish and the likelihood that you'll be in default and first-year dropouts make up a large part of the defaults. Second year dropouts are the next largest number, those who complete, whether it's a 2-year program or a 4-year program or graduate school, no matter what the size of their loans are least likely to be in default.

Most of the people in default, contrary to the attitude that they are scofflaws, can't pay their loans. They haven't found a job yet or they haven't found one with adequate compensation and we've only

started looking more recently to see how much more can you tighten the screws here. So the idea of the multiple disbursement has a real appeal to some of us as a way to keep people from borrowing the full amount of the loan at the beginning of the school year and dropping out after a month. They've got the indebtedness, but they haven't used it for their education. They're likely to feel that since they didn't use it for their education they didn't get anything for it so they are not very strongly motivated to pay it back and surprisingly enough, those small loan balances have a higher percentage of defaults then $20,000 balances do. So, the committee, I believe I can say accurately, is very much attracted to the idea of multiple disbursement but it would have to be sold in the present budget environment on the basis of recouping that inschool interest for the unexpended funds.

Mr. LANG. I think you would find most lenders would agree with you.

Mr. FORD. Would that be, in your opinion, if we were looking for a place for money from the bankers' point of view, more understandable and preferable to tinkering with the special allowance?

Mr. LANG. Most certainly.

Mr. FORD. It might be a tradeoff, the amount of money is not the same but there are principles that can be enunciated that might make a lot of sense to bankers. Mr. Gaydos?

Mr. GAYDOS. I have no questions, Mr. Chairman.

Mr. FORD. Mr. Comfort, we spent almost 2 days this past week in Washington listening to people talk about nontraditional students and part-time students and you've endorsed Mario Biaggi's bill 7211 here this morning, I think I endorsed Mario's bill also. But, in examining it, I find a problem. If you look at it it says in defining a part-time student that it will be a student who is pursuing work toward a degree. The first thing that hits me is that knocks out all the community college students. The president of the Part-Time Students Association testified earlier this week that they would like to take the restrictions off of part time but when I asked him and asked the other advocates for Mario's bill the other day how you would define a part-time student, I think I used this example, since I was talking about New York, of the little lady from Scarsdale who decides there's a nice flower arranging course at the local school and decides to take that, how do you distinguish that person from the serious student you've been describing.

Now I'm not going to ask you to answer today but if you would put your thinking cap on, we would like to find a better definition of part-time student than half time. It's too arbitrary, but we also have to answer those people who would say well, you're not just going to open this to hobby courses, there has to be some kind of a test but it would have to be a test that could be met by different kinds of institutions and if you could work on that and give us your suggestions we would very much appreciate it because we do want to go in that direction.

Dr. COMFORT. I'll be glad to do that. I think it's a real problem and I'm convinced that you cannot open it up. There have to be some restrictions and that will have to come through the wording of the legislation and I don't think the restriction will satisfy everyone particularly in terms of—because if you leave it on degree

basis, that still includes the community colleges with their associate degree but it does exclude the proprietary schools.

Mr. FORD. It excludes all of the vocational programs in the community colieges too.

Dr. COMFORT. The certificate based programs, yes, it certainly does that.

Mr. FORD. Whenever we write something like this, after 21 years, I realize that we aren't writing the law, we are writing the perimeters of the law that the regulation writers over at the Department will write and if you give them something like that to play with, they'll have a field day with it and they will obviously at this particular time try to make the definition as exclusionary as possible. So, we would like to be able to be as specific as possible in the statute so there isn't room for them to play with it.

Dr. COMFORT. Be glad to do that.

Mr. FORD. And Ms. Pettigrew, I would simply like to say to you that I couldn't agree with you more on everything you had in your testimony and that's why you didn't develop any questions with me because you're speaking for a majority view of this committee in describing what you described to us and putting emphasis on those things that we think are most important.

Ms. PETTIGREW. Thank you.

Mr. FORD. And I thank all three of you for your assistance to the committee. The last panel will be Dr. Elizabeth Baranger, associate provost and dean of graduate education at the University of Pittsburgh and Dr. Burkart Holzner, director of University Center for International Studies at the University of Pittsburgh.

Dr. Baranger, would you like to start off?

Dr. BARANGER. Yes, thank you very much.

STATEMENT OF DR. ELIZABETH BARANGER, ASSOCIATE PROVOST AND DEAN OF GRADUATE EDUCATION, UNIVERSITY OF PITTSBURGH

Dr. BARANGER. Chairman Ford, members of the committee, I am very pleased to have the opportunity to address you and pleased that national attention is being focused on American higher education, specifically on the state of research, scholarship and training at the most advanced levels of our educational system.

My remarks this morning concern our Nation's ability to maintain a high quality and a highly productive system of graduate education. This system which creates new generations of scholars, scientists and teachers and which fosters a diverse range of research is at the very core of our Nation's health and well being.

We as a nation have been successful in developing high-quality programs, graduate programs but it is imperative that we not lose sight of the continuing and indeed increased need for these programs. The reauthorization of the Higher Education Act will help us to achieve these goals. Two proposed pieces of legislation presently before House committees address the establishment and maintenance of programs that would encourage and enable some of the Nation's most talented students to pursue graduate education in a number of fields.

I'd like to call your attention to specific issues raised by the Coleman bill (H.R. 2199) and the Guarini bill (H.R. 1345).

In amending title IX of the Higher Education Act, the Coleman bill recognizes and rewards the pursuit of quality graduate education. Under this bill, grants would be awarded to strong, academic programs and departments so that they in turn could allot the moneys to, as the bill says, "Graduate students of superior ability and demonstrated financial need."

We heartily endorse this recommendation for several reasons. First of all, it reaffirms the importance of graduate education and research to the future of our country when it talks about addressing national need. We are a nation at risk of losing our competitive edge in the world if our attention is not soon given to enlarging our Nation's pool of accomplished scholars and scientists. The bill specifically cites examples of those areas of national need such as mathematics, biology, chemistry, engineering, foreign languages, and the like. This amendment comes not a moment too soon. We've already recognized the shortage of highly trained talent in engineering and computer science for example.

Second, Pennsylvania colleges and universities can be competitive for these Federal dollars. The bill acknowledges high-caliber departments in both public and private colleges and universities and enables these students with the high-quality departments to attract bright students.

In this way, the Coleman bill is a tremendous boost to Pennsylvania colleges and universities who boast numerous nationally ranked graduate departments in both the humanities and sciences. The University of Pittsburgh's history and philosophy of science department, biology, statistics, Spanish, chemistry, psychology, physics are just several of the areas that have recently ranked among the Nation's top graduate programs.

We would be in a position of attracting high-quality students into Pennsylvania, the same students who have historically been attracted away from large public research universities.

Third, the maximum allotment of $10,000 to any one student is a suitable and sizable amount that will attract our Nation's brightest. Likewise the minimum figure of $100,000 given to selected departments not only allows schools to support several students but also permits enhancement of library resources, lab and instructional equipment. Such appropriations are necessary if we are to maintain, let alone improve the quality of our research facilities.

The Coleman bill could only positively amend title IX, yet its recommendation should in no way alter some of the very strong programs already in place. For example, under part B of title IX, the Fellowship for Graduate and Professional Study—it's essential that we continue our commitment to minority groups. Our Affirmative Action Program at the University of Pittsburgh has been greatly enhanced by the fellowship assistance awarded to these traditionally under represented groups.

And likewise, we reaffirm our support of the National Graduate Fellows Program as has been authorized by title IX. We support this program that in awarding fellowships directly to the student allows a number of extremely qualified students to attend programs of their choice. To be noted here that self-help programs

such as the guaranteed student loan, GSL or college work study, CWS are also valuable resources to the qualified needy student as well.

Although aid such as the GSL as described under title IV, it is important to remember that such aid remains an important and viable option for the financially needy graduate student, an option both to the Coleman recommendations and to the National Graduate Fellows Program already in place.

With regard to House bill 1356, we favor making exceptions outlined in section 127 a permanent part of the Tax Code. In other words, we favor exclusion of tuition for graduate teaching and research assistance from their gross income. A teaching assistant is required to register as a full-time student as a condition of employment and must make progress toward his or her degree in order to be reappointed. A teaching assistant earns about $6,000 or less, the tuition ranges for instance from approximately $3,500 to $8,500 at the University of Pittsburgh, and to require students to pay taxes on their tuition scholarships out of their very small stipends will result in many withdrawing from graduate education.

Thank you very much.

Mr. FORD. Thank you.

[Prepared statement of Dr. Elizabeth Baranger follows:]

PREPARED STATEMENT OF ELIZABETH BARANGER, DEAN OF GRADUATE STUDIES, FACULTY OF ARTS AND SCIENCES, UNIVERSITY OF PITTSBURGH

Chairman Gaydos, members of the committee, I am pleased to address this group—pleased that national attention is being focused on American higher education, and specifically on the state of research, scholarship, and training at the most advanced levels of our educational system.

My remarks this morning concern our Nation's ability to maintain a high quality and a highly productive system of graduate education. This system which creates new generations of scholars, scientists, and teachers and which fosters a diverse range of research is at the very core of our Nation's health and well-being.

The importance of graduate education to our Nation's continued progress was summed up in a report by the National Commission on Student Financial Assistance, "Signs of Trouble and Erosion: A Report on Graduate Education in America." It states, "Our universities are the principal source of the skills and intelligence necessary to define problems, devise solutions, and chart future directions. Our universities, therefore, are a mainstay of our national efforts to stengthen the economy, secure our international position, and improve the quality of American life."

We, as a Nation, have been successful in developing high-quality granduate education programs. But it is imperative that we not lose sight of the continuing, and indeed increased, need for these programs. The re-authorization of a strengthened higher education act will help us to achieve these goals.

Two proposed pieces of legislation presently before House committees address the establishment and maintenance of programs that would encourage and enable some of the Nation"s most talented students to pursue graduate education in a number of fields. I'd like to call to your attention specific issues raised by the Coleman bill (H.R. 2199) and by the Guarini bill, (H.R. 1356).

In amending title IX of the Higher Education Act, the Coleman bill recognizes and rewards the pursuit of quality graduate education. Under this bill, grants would be awarded to strong academic programs and departments so that they in turn could allot the monies to, as the bill says, "graduate students of superior ability who demonstrate financial need."

We heartily endorse this recommendation for several reasons. First of all, it reaffirms the importance of graduate education and research to the future of our country when it talks about addressing "National need." We are a Nation at risk of losing our competitive edge in the world if our attention is not soon given to enlarging our Nation's pool of accomplished scholars and scientists. The bill specifically cites examples of those areas of national need such as mathematics, biology, physics, chemistry, and the like. This amendment comes not a moment too soon, as we have

already recognized a shortage of highly trained talent in engineering and computer science, for example.

Second, Pennsylvania colleges and universities can be competitive for these Federal dollars. The bill acknowledges high-caliber departments in both public and private colleges and universities and enables those schools with the high-quality departments to attract bright students. In this way, the Coleman bill is a tremendous boost to Pennsylvania colleges and universities who boast numerous nationally ranked graduate departments in both the humanities and sciences. At the University of Pittsburgh, our history and philosphy of science department, biology, statistics, spanish, chemistry, phychology and physics departments are just several of the areas that have recently ranked among the Nation's top graduate programs. We would be in a position of attracting high-quality students into Pennsylvania, the same students who have historically been attracted away from large public research universities.

Third, the maximum allotment of $10,000 to any one student is a sizable amount that will attract our nation's brightest. Likewise, the minimum figure of $100,000 given to selected departments not only allows schools to support several students but also permits enhancement of library resources, lab and instructional equipment, and the like. Such appropriations are necessary if we are to maintain—let alone improve—the quality of our research facilities.

The Coleman bill could only positively amend title IX. Yet, its recommendations should in no way alter some of the very strong programs already in place.

For example, under part B of title IX, the fellowships for graduate and professional study, it is essential that we continue our commitment to minority groups. Our Affirmative Action Program has been greatly enhanced by the fellowship assistance awarded to these traditionally underrrepresented groups.

Likewise, we reaffirm our support of the National Graduate Fellows Program as has been authorized by title IX. We support this program, that, in awarding fellowships directly to the student, allows a number of extremely qualified students to attend programs of their choice.

It should be noted here that self-help programs such as guaranteed student loans (GSL) and college work study (CWS) are also valuable resources to the qualified needy student as well. Although aid such as the GSL is described under title IV, it is important to remember that such aid remains an important and viable option for the financially needy graduate student, an option both to the Coleman recommendations as well as the graduate and professional study fellowships and the National Graduate Fellows Program already in place.

With regard to House bill 1356, we favor making exemptions outlined in section 127 a permanent part of the Tax Code. In other words, we favor exemption of tuition for graduate teaching assistant from their overall income. A teaching assistant is required to register as a full-time student as a condition of employment and must make progress toward his or her degree in order to be reappointed. A teaching assistant (TA) earns about $6,000. The tuition ranges, for instance, from approximately $3,500 to $8,500 at the University of Pittsburgh. To require students to pay taxes on their tuition scholarships out of their very small stipends will result in many withdrawing from graduate programs.

Thank you very much.

Mr. FORD. Dr. Holzner.

STATEMENT OF DR. BURKART HOLZNER, DIRECTOR OF UNIVERSITY CENTER FOR INTERNATIONAL STUDIES, UNIVERSITY OF PITTSBURGH

Dr. HOLZNER. Mr. Chairman Ford, Mr. Gaydos, I'm most appreciative of the hard work I've seen you do this morning and very appreciative that you're so attentive even though I'm the last speaker that gets the floor which I am I think according to the agenda.

I'm director of the Center for International Studies of the University of Pittsburgh, I'm also a member of the district export council of western Pennsylvania and I would like to in my remarks draw your attention to the importance of title VI of the Higher Education Act which deals with support for foreign language in areas that is in international studies. In a way my remarks now

are a fitting compliment to what Dean Baranger has just testified to, the needs of graduate education generally. We face in our educational system in the United States today two crises, one in science and mathematics education and one in international and foreign language education.

I'm addressing the second aspect of our educational crisis. It is obvious when you look here at McKeesport western Pennsylvania the economic changes that have occurred did not originate here. They originated elsewhere in the world and it is necessary that our people at large or a citizen we at large but especially our leaders and our professionals be competent to deal with these international worldwide global complexities, therefore title VI which provides the only source of support from the Federal Government for foreign language and area studies in our universities is a strategically important component of the higher education bill. It is in financial terms very small.

Unfortunately, the administration has chosen year after year to request zero dollars for it but year after year Congress in its wisdom has overruled the administration and provided modest funds. This time of reauthorization of the law and of title VI provides an opportunity for fine tuning, for improving our performance and you have before you recommendations of the title VI reauthorization committee of the National Advisory Board for international programs in the Department of Education.

In general, we endorse these recommendations. Let me point out however before going onto some special emphasis that we are requesting that title VI is extremely cost effective, title VI supports fellowships and national resource centers in our large universities. Let me give you just an example from the University of Pittsburgh. A national resource center for example for that American studies involves the cooperation of about 100 full-time members of our faculty, that the university pays for and all the things that go with that.

The actual amount of funding received from the Government, a little more than $100,000 is crucially important leverage money that allows us to bring these vast resources worth more than $1½ million a year in expenditures together and focus them effectively for the training of people. So here the Federal intervention leverages with very small amounts of money, huge investments in the public and private universities of the country. It's extremely cost effective, it also has proven it's metal, we can demonstrate that the system works.

Now as to fine tuning the system, the recommendations of the reauthorization committee of the National Advisory Board are on the whole very well thought out. I would like to point out however that in language teaching, advances are being made right now and it is important to find mechanisms to disseminate these new methods of language teaching to all of our teaching cord. So it will be necessary to make special provisions and to create special incentives within the framework of title VI for school-university cooperation so that we achieve the objective of transferring most of the language teaching from the university level where it is very expensive to the public school level where it should occur at the years in which a student is in the elementary school. We are far away from

that and this transition period requires incentives for school university cooperation.

The second small modification I want to make is that the recommendations of that committee I referred to do not make special reference to the category of international studies. There's a great deal more to be known about the world today than just merely learning languages and area studies, we need to know about the complexities of international economics or business school graduates need to learn something about business diplomacy in the international field and I could go on and on but I won't.

I would simply recommend to the committee to give special consideration to that category of national resource centers supported by title VI called the international rather than area and language centers which of course remain, I mean the area and language centers the backbone of the program.

Thank you very much.

[Prepared statement of Dr. Burkart Holzner follows:]

PREPARED STATEMENT OF DR. BURKART HOLZNER, DIRECTOR OF UNIVERSITY CENTER FOR INTERNATIONAL STUDIES, UNIVERSITY OF PITTSBURGH

It is an honor and a pleasure to appear before you to testify on certain matters arising in connection with the reauthorization of Title VI of the Higher Education Act. As Director of the University Center for International Studies at the University of Pittsburgh I have participated in discussions on the national level as well as within the Pennsylvania Council for International Education on the Commonwealth level on the requirements of international education and research in this country at this time, and I have gathered practical experience in my administrative responsibility of a Center that houses two national resource centers and three fellowship programs supported under the terms of the Act.

I am also a member of the Western Pennsylvania District Export Council, working closely in that capacity with the U.S. Department of Commerce, the Pennsylvania Department of Commerce, and the Western Pennsylvania Business Community to bring the resources of our Center to bear on the objective of improving the international expertise and competency of our business community. Further, the University of Pittsburgh's Center for International Studies works closely with the Pittsburgh Public Schools, with other school systems, and with the Pennsylvania Department of Education to link the international resources of the University to the improvement of language and international education at all levels of our school systems. All these experiences have something to do with the objectives of the programs supporeted under the provisions of Title VI of the Higher Education Act.

I first would like to address certain general issues concerning Title VI and then turn to a number of very specific concerns.

In general, there is no doubt whatsoever in my mind that the continuation and modest expansion of Title VI is an urgent requirement in terms of the national interest of the United States. Many thoughtful reports, including the report to the Secretary of Education by the National Advisory Board on International Education Programs entitled "Critical Needs in International Education: Recommendations for Action" also known as the Holderman report, and the very detailed statement, "Beyond Growth: The Next State in Language and Area Studies," prepared under the leadership of Richard D. Lambert and under the auspices of the Association of American Universities, also known as the Lambert report, have documented the strategic need for federal financial support for area, language, and international programs in the research universities of the nation. They have also documented critical deficiencies in language and international competency among our pupils and students at all levels, and in the citizenry at large. There is consensus among professional educators as well as among knowledgeables in the international business community and in the defense community that the country faces a challenge to improve its international education programs at all levels similar to the challenge faced in science and mathematics education. In dealing with this challenge the programs for national resource centers and fellowships supported under Title VI are of strategic and crucial national importance.

Over the years of their existence these programs have achieved a number of major successes and proven their mettle. They have created a very fine, if small, corps of highly competent language and area scholars nationally, many of whom now hold responsible positions in the State Department, Defense Department, international businesses, or as scholars in our universities. They have encouraged interdisciplinary research and teaching. Their outreach and public service requirements have established vital linkages between the universities' resources in scholarship and expertise and the business community, school systems, and the public at large. They have further encouraged the acquisition of crucially important library resources.

These programs are extremely cost effective. A modern American area studies program in one of our great research universities is a formidable enterprise. It may include seventy to one hundred or even more full-time faculty members who devote a significant portion of their research and teaching to the study of their chosen world area. It reaches large numbers of students. For instance, at the University of Pittsburgh this past year a total of 13,000 students were enrolled in an area study or international course. The total expenditure of University funds for such a program is enormous, in the range between one and two or even more million dollars per year. The relatively small national resource center grants of about $100,000 are critically needed leverage funds which permit the systematic focusing and coordination of the monetary and intellectual resources our universities provide. The national evaluations of the unversity programs are important because they set standards and guidelines which university administrators cannot readily ignore. Thus, Title VI is playing a vital role in preserving and enhancing the research and instructional capabilities of our universities, but it accomplishes much more. Through public service programs, the Title VI supported centers in Pennsylvania, for example, have been drawn upon for improvements at all levels of education in the Commonwealth and for providing international expertise for the business community and, I should point out, increasingly for the labor community.

Let me mention just a few examples of recent projects or programs. In the summer of 1984 the University of Pittsburgh hosted, on behalf of the Pennsylvania Council for International Education, the Governor's High School for International Studies. This is a very rigorous five-week program in international studies for 60 or so of Pennsylvania's most outstanding high school students. The project provided full fellowships for the students; it was funded by the Pennsylvania Department of Education and by generous gifts from private institutions and persons in the community. The curriculum emphasized international business and economics from the point of view of studying Pennsylvania's economic position in the world, international relations, and, daringly, the study of a language unknown to any of the participating students, namely Japanese. The formal evaluation of the program has concluded that it was overall a resounding success. The experiment of teaching these young people Japanese for five weeks turned out to be especially successful and valuable. Students actually did learn to speak in Japanese (obviously not at a high level of proficiency), and they learned a lot about the structure of languages, the importance of language and an understanding of a foreign culture and society, and they enjoyed their experience. This effort was only possible because of partial support from Title VI funds. The University of Pittsburgh has developed a highly-effective Japanese language teaching program whose personnel, organization and methodology were all in place. Faculty generously volunteered and contributed their time to the effort. The Governor's High School for International Studies Program in 1985 is now in session at the University of Pennsylvania. Again instruction in an unfamiliar language is included in the curriculum. The language the University of Pennsylvania has chosen is Hindi because of their outstanding capabilities, which are also in part a result of support from Title VI funds.

The University of Pennsylvania, again in cooperation with the Pennsylvania Council for International Education, has received funds from the U.S. Department of Education to assist Pennsylvania colleges to improve their international education curricula. Each year ten colleges receive such assistance. I can tell you that this work is deeply appreciated in the educational institutions and communities of the state. For example, the University Center for International Studies and I helped the University of Pittsburgh at Johnstown to participate in the PaCIE/University of Pennsylvania project and in addition our own National Resource Center aided them in the development of an international studies program. This generated such interest not only on campus but in the community that I was surprised when during a recent visit to Johnstown Mayor Pfuhl made me an honorary citizen of the city.

There are many other examples I could mention, but time is short. I should bring to your attention, however, the University of Pittsburgh's international public serv-

ice program which includes special seminars, information breakfasts, lecture series, and consultations for the business community, international festivals, exhibitions, conferences, for the public at large, and as I have mentioned repreatedly, intensive work with the public schools.

I believe I have given enough examples to show that our constituents need and appreciate these services. I have pointed out the critical importance of Title VI programs for international scholarship, teaching and research in the universities. The program needs to be continued and at a minimum modestly enlarged.

Now I would like to come to certain specific points. I believe you have before you a report of the Title VI Reauthorization Committee of the National Advisory Board for International Programs, Department of Education. It appears that these recommendations flow from the careful assessment prepared by the Lambert study incorporated in the report entitled "Beyond Growth: The Next Stage in Language and Area Studies." There are several points there that need to be underscored. The recommendations emphasize the need for proficiency testing in our language instruction programs. It is absolutely clear that this recommendation is well taken and must be implemented. It is wasteful for everybody to have some of our students sit in classrooms for years, being presumably taught a language, without actually learning to master it.

The entire language teaching profession in America, it seems to me, is moving in this direction. However, they will need some assistance. For example, some federal funding probably should be made available for faculty members to participate in additional training workshops on proficiency testing of the type now being conducted around the country by the Educational Testing Service. Further, funding will be required for developing proficiency testing in the less commonly taught and critical languages.

With regard to the rarely taught languages national assessment and national coordination will be necessary. No great numbers of students in any given university can be expected to flock to courses in Dari (which is Afghan-Persian) or Lao, or Cambodian. Somewhere in the country however, such languages need to be cultivated.

Since I am not a language teacher nor a linguist, I requested that the University of Pittsburgh's Interdepartmental Language and Literature Council comment on the recommendations of the Title VI Reauthorization Committee of the National Advisory Board for International Programs of the Department of Education. If you permit, I would simply quote key portions of the Council's commentary: (form a memorandum by Professor Keith McDuffie, Chair, Interdepartmental Language and Literature Council, University of Pittsburgh, July 2, 1985).

"Concerning language requiring all FLAS recipients to take language instruction while holding a fellowship, we feel that this requirement could be tied to the proficiency, further study would not be required. But certainly those who are not proficient should be required to continue language study, and their progress should be monitored. At present too many students evade their responsibilities here, which may account for the obvious frustration evident in the recommendations of the Title VI review committee. In other words, we presume that the intent of Title VI is to insure that area specialists have a reasonable proficiency in a given area-specific language.

"Regarding the "two-tier" FLAS proposal, although a national pool may guarantee better candidates, it also may favor elite institutions. But perhaps the biggest problem is the language of the recommendation, which seems to indicate that candidates for FLAS at the national level must already have proficiency in a language which they must maintain throughout the time they receive a FLAS. Yet FLAS are available for the purpose, at least in part, of language training. This proposal seems contradictory, and furthermore the process for choosing candidates is unclear. Would language proficiency be the principal criterion; if not, what are the eligibility requirements? As it stands, the recommendation is not clearly the best means of attaining the stated goal of a longer training period; perhaps this could be done more simply by a ground rule stating that the fellowship is renewable up to five years as long as satisfactory progress is being made (in effect we do this with teaching assistants in doctoral programs). In any case, where feasible, study abroad should be encouraged as the best means for quickly improving language proficiency. Students should be allowed to use at least a part of the fellowship period for such study, at least in those languages and areas where other means of support are not readily available."

Our Interdepartmental Language and Literature Council takes exception with another major recommendation in the Reauthorization Committee's report, concerning

the establishment of "state of the art" language teaching centers. Here is what they say:

"The third major recommendation, the establishment of long-term support for a few "state of the art" language teaching centers around the country, seems to us to be a very bad one. Although Pitt would have an excellent chance of becoming such a center, we do not think the proposal is sound and the purported goals will not be achieved. On philosophical grounds, the proposal errs in supposing that there is only one good way to teach foreign languages and that with proper research we will find that way. There are many good ways and many poor ways; what is needed is the elimination of the poor ways (i.e. you won't teach people to speak a language through grammar/translation exercises). Furthermore, it is quite unrealistic to think that such state of the art teaching will be disseminated around the country from these centers; good teaching depends on good, dedicated teachers. Identifying and training such teachers has been and always will be the basis of good language teaching. We need to maintain federal support and funding should be competitive, not restricted to a few elite centers. However, the publishing of materials should be permitted with Title VI funds—this is a resource that can be disseminated."

The recommendations contained in the Lambert report and in the report of the Title VI Committee of the National Advisory Board for International Programs in the Department of Education correctly emphasize the importance of language learning. However, it needs to be pointed out emphatically that the national interest requires not only that we have highly proficient speakers of foreign languages and area studies experts, but also people who have expertise in international affairs more generally. It is absolutely essential that our business schools transmit to their students high skills in international economic analysis, in business diplomacy, and in understanding the complex intercultural and international dynamics of the contemporary world political scene. We need people who understand the hard cold facts in the highly competitive international world today as they effect public policy decisions here at home and as they effect business decisions here at home.

For this purpose Title VI has supported a small number of international national resource centers, as distinguished from language and area centers. Fellowship programs in such centers should not be tied only to the less commonly taught language requirements, they should be tied to language requirements functional for professionals putting their expertise to work. The languages most useful in this regard might be such languages as Spanish, French, German, Russian, Japanese at a technical level of proficiency in the domain of specialized international expertise of the student. I would like to urge the committee to attend particularly to the importance of the program for international studies which in some ways differ from area studies national resource centers. Let me emphasize that this recommendation should in no way be seen as detracting from the language and area studies programs as the core of the whole effort. On the contrary, the category of functional international studies, as this domain is sometimes called, is very much needed as a supplement to the language and area studies programs.

Thank you very much for the opportunity to present these comments to you.

Mr. FORD. Thank you, Doctor, I know that you must be frustrated in trying to get people to understand what it is you're talking about in international education. Mr. Brademas, now president of N.Y.U., served on this committee for 22 years and introduced something called International Education back in the late 1960's. We were frankly moved by both of us having had experience with institutions that were expending substantial resources in the field of international education and couldn't understand why other major institutions didn't understand as they did the importance of this. We've never been able to get much money. The difficulty we had in the late 1960's and into the 1970's was that Members of Congress used to confuse this with the Fulbright-Hays Scholarship Program and we had all the horror stories about people coming to this country from South America studying on a full grant and then being hired by Ford Motor Co. or General Motors to go back to their country and represent an American company. That was cost effective for the company but the idea of Hays-Fulbright was that they were people who would become potential leaders in those countries

who would have by osmosis discovered that America was a wonderful place with great ideas and carry that back with them. It wasn't working, it produced a lot of reaction and when you mentioned international education to anybody my age or older in the Congress they're likely to immediately conjure up in their mind the Hays-Fulbright Program. We call it Hays-Fulbright in the House, it was Fulbright-Hays in the Senate.

But I have to muse over the fact that I'm constantly hit by people talking about the inadequacies of our higher education system and one of the measures they will give me frequently is that a higher percentage of the Japanese population is graduating with degrees in engineering than we are graduating here in America. How will we maintain our competitive edge. Living in an environment where I have watched the Japanese beat our socks off in trading in every product we used to make, I'm fascinated by a different figure. It is estimated that Japanese corporations have more English-speaking Japanese in New York City, just in New York City than we have in all of Japan. We hire somebody else to represent our companies in those countries mainly because we don't develop a substantial pool of people who know anything about much beyond their own State. The failure of our school system works its way all the way down to the failure to teach modern geography. It's demonstrated by having people come up to you and say things like why is the President sending jets to that crazy South American country, what crazy South American country, Chad. Chad is in the middle of the continent of Africa I say to them. Well that's even worse, he shouldn't be sending airplanes to Africa. They are products of our school system.

We're talking about Nicaragua and the President describes it as if it was a size of the United Soviet Socialist Republic and had a standing army as big as ours and could march on Houston with some hope of success. I submit that there are more people living in the county that I live in than in that entire country and if they did march on Houston and they couldn't handle it, we'd send the Detroit police down there to handle it for them. But the American public does not have people out there as leaders in the schools to lead children in discussions and in the colleges to lead students in discussions of the realities of the size of countries and the reasons why they act as they do. We know nothing about them and yet we trumpet how close they are to us and how valuable they are to us and how important they are to our security and now of course we must by all means prevent them from ever choosing Marxism as a form of government, whether they choose it with a gun or with a ballot is irrelevant to us if it's marxism, it's presumptively bad. That is as close as I can give you to our national policy at the present time. We get into a mess with that kind of national policy because too few of us have ever had any exposure in an academic way to the realities of what these other countries are.

Now I don't like to concentrate on just Central America and Japan, we have different kinds of problems with both of them but the fact is that for all of the period since World War II, we have known that Russia posed the greatest competitor to us in all ways of any country in the world and yet we don't know much more about Russia today as a people then we did before. We are satisfied

to accept the fact that they have some funny government called communism and therefore it's presumptively bad and they're stupid people.

In 1958 they put sputnik up around the world and we started spending money like it was going out of style, it turned everybody overnight into instant scientists so we could catch up and everybody said those crazy, dumb Russians have been able to do this, why are we going so far behind. 1958 is the last time that we were impressed with anything the Russians did enough to use education as a way to be competitive with them, not even today when we're talking about going in outer space do we hear them say lets get up these billions of dollars for developing systems in outer space but let's start at the beginning by financing our research institutions and our graduate programs to produce the kind of people that will be able to conceptualize and design all of this. We start at the other end always and it seems to me that you're talking about something that gets no attention down there, that's hard to even keep alive that you really have to keep shouting about. We've got to find people in business. There is no such thing as a safe American business anymore and most of our big businesses unfortunately have come to think of themselves as international corporations and they use resources in these other countries to do that.

They provide us very little interchange to come back here and tell us how other Americans can understand and work with them. An American company that functions very well in a strange environment, a strange culture and with strange laws produces virtually nothing back here in the way of education for our people about how to deal with that strange environment.

Dr. HOLZNER. Some of them do, Mr. Chairman, some of them do.

Mr. FORD. Do you get any private assistance for international education?

Dr. HOLZNER. Yes, sir we do. It is not as large as it ought to be but the same as to be said about the Federal assistance, we have a very generous endowment from the Heinz Co. just to give you an example for a fellowship for a person from the Third World who has demonstrated leadership abilities and who spends with us 1 or 2 years in residence to work on a particular project relating to that country. We've had marvelous people here and they've been very fruitful for us. That is just one illustration.

When we had Governor Thornburgh stimulated the establishment of a Governors High School for International Studies which University of Pittsburgh holds the class there. The private donor community came up without much—with a substantial amount of subsidy in addition to the State money.

Incidentally, the capabilities which we have in Pennsylvania especially at the University of Pennsylvania over in Philadelphia at the University of Pittsburgh in the west and Penn State but have somewhat different due action in the middle are largely viewed to the focusing effect of the title VI program. We have an enormous international academic capability in this State because of that and the interaction with a business community and with the educational communities at other levels, colleges and schools are very substantial here.

Mr. FORD. I yield to the gentleman from Pennsylvania who is a strong supporter of this.

Mr. GAYDOS. I only have one question, Doctor. Maybe one of the possible explanations of the lack of grant funds and title VI might lie in the fact that there has been in some circles indications that a substantial amount of funds have always been spent on international travel as distinguished from other uses. What truth is there to it and what percentage is spent along those lines?

Dr. HOLZNER. Very little. I cannot give you the percentage but most of the money is for actual instructional purposes on campus, almost all of it. There is some category for public service activities so that we send for example our people into the public schools to teach courses, to give lectures. Of course there has to be some international travel, I mean we have to bring firm scholars to this country and we have to send our expert abroad but in terms of the total budget picture, it is almost insignificant.

Mr. FORD. Thank you very much and thank you for your patience in waiting much longer then we expected and I appreciate your staying to help.

Mr. GAYDOS. Mr. Chairman, if you would yield. For the record I'd like to state that on behalf of the McKeesport and Greater Pittsburgh residents, we're very grateful for your taking time out of a very busy international/national schedule to come out here and conduct these hearings, to give us an opportunity to put into the record some formal positions and also an opportunity to receive some publicity so that it would alert our people to the gravity of the problem that's facing us and hopefully stimulate a lot of the residents because of the importance of this subject matter into taking some expert action to let their views be known through the process of writing to the committee which in turn I'm sure would forward the communications onto the right Government administration or to the present administration in Washington, DC, that would help tremendously and in conclusion thank you very much, Mr. Chairman.

Mr. FORD. Thank you, the committee is adjourned.

[Whereupon, at 1:26 p.m., the hearing was concluded.]

[Material submitted for inclusion in the record follows:]

N. BRADDOCK, PA, *July 2, 1985.*

HOUSE SUBCOMMITTEE ON POST-SECONDARY EDUCATION.

DEAR SIRS: On September 18, 1977 I went back to work in order to help my children further their education and along with my wages their summer jobs and the student loan program they are attending college. Now there is talk of limiting student loans to families earning under $32,000 a year.

My children get very little State and Federal aid due to our salaries and I feel excluding them from the student loan program would hamper their education. It seems we are being penalized for working. If I quit work there would be more grants available and we would not have to worry about the loan program.

This is one government program that is paid back many times in payments and then in taxes.

I have 3 children in school now—a senior in Westminster hoping to go on to Med school, a junior in Edinboro and a freshman at Pitt Johnstown. Please do not cancel the student loan program.

DOROTHY FONTASHI.

PREPARED STATEMENT OF HON. WILLIAM F. CLINGER, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, I am pleased to have this opportunity to submit my comments to the Subcommittee regarding the reauthorization of the Higher Education Act.

It is difficult to empirically measure the many ways that postsecondary education benefits individuals, states, and the nation; however, it is safe to say that higher education is a vital key to the economic, social, and cultural future of this country. Higher education is a sound investment, whether it is judged on economic or social grounds and deserves the continued support of the federal government. But, we must also keep in mind that the fiscal mood and circumstances of the past few years spell austerity; declining revenue and increasing deficits are putting pressure on domestic spending. This presents a special challenge to the Subcommittee as its begins the painstaking task of drafting legislation to reauthorize the Higher Education Act.

During the reauthorization process, it must be kept in mind that America's educational needs have changed dramatically over the last twenty years. We are moving from an industrially based society to the information age—a shift that has increased the demand for new skills and better educated individuals. Our colleges and universities are at the forefront of this change and through research and training must keep pace with technology. Along with this need for strong technological leadership, institutions will be relied upon more in the future to provide access and opportunity to higher education. As employers demand more skills and knowledge from their workers, colleges and universities must be able to provide young people and adults the chance to acquire these skills. In light of these developments, maintaining and enhancing efforts to remove the financial barriers from the path to higher learning is becoming even more of a challenge to institutions and the federal government. Increasing numbers of students are relying upon public, private, and institutional financial support to meet the cost of education. Without this support, many young people and individuals reentering the work force would be unable to get a college education and, therefore, unable to compete for the jobs of the future.

Unquestionably, the federal government is key to the stability and equity of our system of higher education. It's largest investment is in the form of student financial assistance, a program which embodies the goal of ensuring equity and diversity and to provide students with access to higher learning. Millions of students and families have pinned their aspirations on the availability of student aid and the opportunities it presents for advancement; to retreat from the federal commitment to these programs will dash the hopes of young people and result in the abandonment of the idea of equal opportunity and advancement that are central to the present and future strength of this nation.

Over the years, federal involvement in student aid has spurred the development of state and private programs to assist students. Corporations are also following the federal lead in supporting basic research on campuses. We must encourage this activity of private sector business by continuing the incentives in current law such as the tax credit given to corporations for donating equipment to university research centers. Also, the fact that these same corporations will be reaping the benefits of highly trained graduates who may be the corporate leaders of tomorrow should be sufficient incentive for corporations to assist colleges and universities.

In spite of this partnership with the states and corporations, the funds and initiatives provided by the federal government are essential to the maintenance of the partnership. There is ample and encouraging evidence that the Federal Student Financial Assistance Program is effective and that millions of students are attending colleges, universities, and vocational institutions who ten years ago would not have had that chance. The National Commission on Student Financial Assistance in its report commented on the effectiveness of student aid:

"The studies which the Commission has conducted show that the amount of federal student assistance has resulted in significant progress toward the goal of providing access to postsecondary education for all students, but that more needs to be done."

Higher education certainly is a priority for Congress and is well worth the cost. I urge you and the Subcommittee to approve a reauthorization bill which recognizes the future needs of our system of higher education while retaining and strengthening the traditional goals of equal opportunity and access.

ELECTRONIC INSTITUTES,
Pittsburgh, PA., August 7, 1985.

Hon. WILLIAM D. FORD,
Subcommittee on Postsecondary Education,
U.S. House of Representatives,
Cannon House Office Building, Washington, DC.

DEAR CONGRESSMAN FORD: On July 12, 1985, I attended your Subcommittee Hearings which were held in McKeesport, PA. Unfortunately, I was unable to prepare testimony in advance and; therefore, did not have an opportunity to ask for time to testify at those hearings. I have been involved in the administration of both State and Federal Financial Aid Programs at this school since these programs began. I am presently the Government Affairs Chairman of our State Association of Licensed Private Sschools and also serve on the Financial Aid Subcommittee of the Government Affairs Committee of the National Association of Trade and Technical Schools.

From the presentations at these hearings and from other meetings I have attended it appears that there is a consensus that the current Title IV programs are working well and should be reauthorized. However, there are some technical problems which should be addressed in these programs and also some inequities which should be adjusted.

I think it is the overwhelming opinion of everyone who works with Title IV Programs that some things need to be done as soon as possible. These are as follows:

1. Multiple disbursement of Guaranteed Student Loans should become mandatory with interest running from the date of disbursement. The imposition of multiple disbursements will greatly reduce the dollar value of defaults and should, in the long run, save the amount of money which the administration is trying to save in the GSL Program. All other forms of financial aid—whether grants or loans—that are disbursed by institutions are disbursed on a semester, term or quarter basis. There is no reason why such logic should not be applied to Guaranteed Student Loans. In fact, I believe so strongly in this that I would suggest that you do not wait for the completion of the reauthorization process to make this change. It should be made as soon as possible—either in a separate piece of legislation or if possible by executive order. The day this change is instituted very substantial savings will be gained in the GSL Program.

Assuming that the lenders are willing to take on the additional work of multiple disbursements, I think a reasonable trade-off would be to maintain the special allowance at its current level.

2. There is a need to change the method of determining whether a student is independent or dependent for purpose of the Pell Grant Program. The current test used by the Department of Education makes it too easy for individuals to declare themselves independent. I understand that several other tests have been suggested. Most of these are built around the idea that students cannot declare themselves independent unless they are over 22 years of age, are veterans, married, or orphans. It has also been suggested that those students who declare themselves independent must show some source of support. The test of independency used by the Pennsylvania Higher Education Assistance Agency requires that individuals be out of high school 6 years to be considered independent. The specifics of a new test need to be worked out; but, one should be put into place as soon as possible—hopefully, for the academic year 1986–87. If the reauthorization does not pass by that time, perhaps this should be done administratively or through separate legislation.

In general, I agree with most of the presentations I heard at the hearings. I do, however, part company with many of the Financial Aid Officers who recommended that the schools be required to do additional validation. This may be all very well for large, well-financed institutions which have large staffs of people available to do this work. I have a sneaking suspicion that financial aid officers want more validations to generate more work in their offices to justify larger budgets. My own preference would be that the application process be improved so that the information on the application be verified at the time the application is processed—thus eliminating the need for later validation. One way to do this would be to require the student to submit notarized copies of his parents' and his tax returns with the application. At one time this was done with the Pennsylvania Grant Program. The other option would be to have the applicant sign a release so that this information could be obtained from the IRS. In the Pennsylvania system the Scholarship Agency has access to the individuals's state tax records. While I realize that other agencies are not normally given access to IRS records, individuals who wish to obtain aid from the Federal Government should be willing to make these records available to the Agency which disburses that aid.

There is a lingering inequity in the Title IV Programs in that proprietary schools are prohibited from using College-Work-Study students on their own campuses. This is the last distinction between proprietary and non-profit schools in the Title IV Programs. I believe that this inequity should be removed in order to provide proprietary school students with an additional source of financial aid.

I understand that the administration proposes eliminating the SSIG Program. If this should happen many States might eliminate their State Grant Programs. Since the Federal SSIG money is matched by state money it provides a way of multiplying the federal efforts in financial aid. My recommendation would be to continue this program and, if possible, to increase its appropriation. One of the problems with the SSIG Program is that the matching efforts of states vary widely so that states like Pennsylvania, that provide almost $90 million dollars of their own money only qualify for only $2 to $3 million dollars of SSIG money; whereas, states with much smaller programs receive substantial SSIG payments. I believe that the distribution of Federal SSIG mony should be in proportion to each state's own efforts.

The other problem with the SSIG Program is that many states do not include proprietary schools in their State Grant Programs. At the same time they count proprietary school students when they report post-secondary enrollments to qualify for SSIG payments.

One thing I did not hear at these hearings were any suggestions for cutting Federal Aid to Education. While I am not recommending any cuts in the Title IV Programs, I belive there are many small categorical programs of aid to institutions of higher education which could be eliminated without substantial harm. Two that come to my mind are the Veterans' Cost of Instruction Program and the Fund for the Improvement of Postsecondary Education. In both of these, I think the costs of administering these programs exceed their benefits. There are probably other programs which should be looked at carefully.

In general, my position is that Federal financial aid should flow to the students rather than the institutions. The states provide a great deal of aid to institutions. In fact, most of their aid is in the form of institutional aid. It is my feeling that Federal funds should go to the students on the basis of individual need.

Very truly yours,

PHILIP CHOSKY, *President.*

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